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Daily Report—

East Asia

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Daily Report

East Asia

FBIS-EAS-94-185

CONTENTS

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INTER-ASIAN AFFAIRS

Reportage on ASEAN Economic Minister's Meeting	1
Issues on Agenda Previewed [BANGKOK POST 22 Sep]	1
Thailand's Chuan Opens Meeting [THE NATION 23 Sep]	2
Report Views Chuan's Address [BANGKOK POST 23 Sep]	3
End to Eminent Persons Group Sought [THE NATION 23 Sep]	5
Disagreement on Tariff Rates [BANGKOK POST 23 Sep]	5
Opposition to Textile Content Rules [THE NATION 23 Sep]	5
Thailand's Suphachai Briefs Media [KYODO]	6
'Lack of Coordination' Mars Meeting [BANGKOK POST 23 Sep]	7
Liberalization Talks Reach Impasse [BANGKOK POST 23 Sep]	8
Philippine Trade Secretary Interviewed [BANGKOK POST 22 Sep]	8

NORTHEAST ASIA

Japan

Further Reportage on Kono's Visit in Washington	11
Kono on Meeting With Clinton [KYODO]	11
Kono on Aid for DPRK Reactor [KYODO]	12
More on Kono-Clinton Talks [KYODO]	12
Kono, Kantor Hold Talks [KYODO]	13
Kono Said To Back Revised U.S. Nuclear Strategy [Tokyo TV]	14
U.S. Government Urged To Resist 'Pressure' [MAINICHI SHIMBUN 22 Sep]	14
Ota Continues To Criticize DFAA Head's Remarks [RYUKYU SHIMPO 21 Sep]	14
U.S. Said Warned of Risks in Sending SDF to Goma [ASAHI SHIMBUN 22 Sep]	14
Murayama Seeks Public Understanding on Tax Reform [KYODO]	15
Elaborates on Reform Program [Tokyo TV]	16
Holds News Conference [Tokyo TV]	17
Reaction to Tax Reform Package Reported	19
Expected To Encourage U.S. [KYODO]	19
Tax Panel Chief Offers Praise [KYODO]	20
Opposition Criticizes Package [KYODO]	20
Businesses Have Mixed Reaction [KYODO]	21
Two-Tiered Reform Criticized [NIHON KEIZAI SHIMBUN 16 Sep]	21
SRV Minister Backs Tokyo's Bid for UNSC Seat [KYODO]	22
Request for CFC Exemptions Rejected by UNEP [KYODO]	22
Survey on Tokyo's Bid to Join UNSC Seat [ASAHI SHIMBUN 22 Sep]	23
MOFA Seeks Settlement on Korean Peninsula [NIHON KEIZAI SHIMBUN 22 Sep]	23
Tokyo Vows To Help DPRK's Reactor Program [KYODO]	23
Opportunities for Japanese [SHUKAN DAIYAMONDO 24 Sep]	24
Tokyo's Assistance in Middle East Described [YOMIURI SHIMBUN 23 Sep]	24
PRC Said Halting High-Level Official Exchanges [MAINICHI SHIMBUN 22 Sep]	25
Asahi Bank To Open Office in Vietnam [KYODO]	25
KYODO Comments on Ministerial Telecom Meeting	25
Insurance Council Drafts Reform Proposal	26

Council Chairman Interviewed [KINYU ZAISEI JIJO 25 Jul]	26
Reform Proposal Examined [KINYU ZAISEI JIJO 25 Jul]	29
Commercial Banks Launch Securities Subsidiaries [EKONOMISUTO 23 Aug]	32
Editorial Comments on Housing Loan Sector [NIHON KEIZAI SHIMBUN 14 Sep]	36
Reportage Concerning Current Economic Status	37
2.4 Percent Growth Possible [KYODO]	37
Majority of Firms Optimistic [SANKEI SHIMBUN 18 Sep]	38
Major Firms Confident [KYODO]	38
MITI Seeks To Recover Global Competitiveness [MAINICHI SHIMBUN 22 Sep]	38
Toyota Reports Increase, Nissan Decrease in Sales [KYODO]	39
Government Considering Rice Production Cuts [KYODO]	39
Keidanren, Agency Head on Administrative Reforms [KYODO]	39
Government To Review Public Spending Program [KYODO]	40
Firms To Phase Out Traditional Employment System [KYODO]	40
* Prince's Wartime Criticism of Military Revealed	40
* Prince Mikasa Interviewed [THIS IS YOMIURI Aug]	40
* Commentary on Wartime Document [THIS IS YOMIURI Aug]	49

North Korea

Spokesman's Statement Rejects Special Inspections [Pyongyang Radio]	54
KCNA Version of Statement	54
Paper Urges Elimination of Nuclear Weapons [KCNA]	55
South's Nuclear Arms Development Detailed [Pyongyang Radio]	55
Deployment of Heavy Weapons in DMZ Denounced [KCNA]	57
South's Purchase of Russian Weapons Denounced [KCNA]	57
Kim Yong-sam's Accepting 'Sea of Japan' Viewed [KCNA]	57
U.S.-Japanese Joint Naval Exercise Denounced [KCNA]	58
Japan's 'Shameless' Lobbying for UN Seat Viewed [KCNA]	58
Korean Residents in Japan Head Meets Yi In-mo [KCNA]	58
Vice Premier Hong Song-nam Meets Chinese Guests [KCNA]	59
Anniversary of Republic of Mali Marked [KCNA]	59
WPK Sends Greetings to Mali [KCNA]	59
Burkinabe Minister Favors Confederation Formula [KCNA]	59
'Adjustment' Period in Economic Strategy Noted [KCNA]	59
Overseas Meetings Mark Founding Anniversary [KCNA]	60
Foreign Parties Send Messages to Kim Chong-il [KCNA]	60
Reverence for Kim Chong-il 'Growing' in South [KCNA]	61
Anniversary of Kim Il-song, Kim Chong-il Guidance [KCNA]	61
Spanish Communist Leader Praises Kim Il-song [KCNA]	62
Delegations Visit Kim Chong-suk Statue [KCNA]	62
Foreign Economic, Commercial Corps [KCNA]	62
Party Leaders Lay Wreaths [KCNA]	62
Railway Ministry: Increases in Freight Turnover [KCNA]	63

South Korea

'Big Concession' Made to U.S. Over Trademarks [YONHAP]	63
Minister Views Talks on Rent for U.S. Embassy [YONHAP]	63
Agenda Given for 23 Sep U.S.-DPRK Talks [YONHAP]	63
President's Letter to North Chief Delegate Viewed [CHOSON ILBO 23 Sep]	64
Third Round of U.S.-DPRK Talks Open 23 Sep [YONHAP]	65
South 'Willing' To Bear Major Cost for Reactors [YONHAP]	65
Minister: North Reactors Must Be South Type [YONHAP]	65
South, U.S., Japan Study KEDO Supervision [YONHAP]	65
U.S. Scholar Interviewed on DPRK Situation [CHOSON ILBO 22 Sep]	66
North Students Studying at U.S. Universities [YONHAP]	68
North's Efforts for Oil Exploration Reported [MUNHWA ILBO 23 Sep]	68
* Kim Yong-sam's North Korea Policy Criticized [WOLGAN CHOSON Sep]	69
North Foreign Minister To Visit Southeast Asia [YONHAP]	73
South-Japan Joint Cooperation Meetings Held [YONHAP]	73

Samsung Aids Russian Communication Modernization	<i>[MAEIL KYONGJE SINMUN 23 Sep]</i>	73
Seoul Not To Join Meetings Using 'Sea of Japan'	<i>[YONHAP]</i>	73
* Changes in Export Markets Analyzed	<i>[CHUGAN MAEGYONG 20 Apr]</i>	74
Prosecution Continues Probe of Inchon Case	<i>[YONHAP]</i>	76
Government Appoints New Mayors, Governors	<i>[YONHAP]</i>	76
Foreign Dignitary Reception Expenses Disclosed	<i>[YONHAP]</i>	77

SOUTHEAST ASIA

Burma

Commentary Views Bishop's Meeting With Bo Mya	<i>[London International]</i>	78
Two Soldiers Reportedly Slain in Karen Attacks	<i>[BANGKOK POST 23 Sep]</i>	78

Cambodia

Government Issues Communique on Cabinet Meeting	<i>[Phnom Penh Radio]</i>	78
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Indonesia

Commission's Pledge To Improve Rights Viewed	<i>[SUARA PEMBARUAN 7 Sep]</i>	79
Police Seize Homemade Firearms, Explosives	<i>[ANTARA]</i>	80

Laos

Prime Minister Issues Decree on District Chiefs	<i>[Vientiane Radio]</i>	80
Ministry Issues Regulations on Aerial Photography	<i>[Vientiane Radio]</i>	81

Thailand

Former Police Chief To Sue TIME Magazine	<i>[BANGKOK POST 23 Sep]</i>	81
Foreign Ministry on SLORC-Aung San Suu Kyi Talks	<i>[BANGKOK POST 23 Sep]</i>	82
* Surin on Ministry's Economic, Burma Policies	<i>[THAN SETTHAKIT 14-16 Jul]</i>	82
Central Bank Fears Increase in Inflation	<i>[BANGKOK POST 23 Sep]</i>	83
* CP Group Official Views Technology Transfer	<i>[DAO SIAM 31 Jul]</i>	84
* Crown Prince Pilot Training, Experience Noted	<i>[THAI RAT 28 Jul]</i>	84

Vietnam

Deputy Prime Minister Receives Japanese Envoy	<i>[VNA]</i>	85
Radio Reviews Economic Relations With Germany	<i>[Hanoi Radio]</i>	85
Libyan Joint Committee Holds Economic Discussion	<i>[VNA]</i>	86
China To Assist in Forestry Projects	<i>[VNA]</i>	87

AUSTRALASIA

Australia

Ray Rejects Possible Involvement in Spratlys	<i>[Melbourne International]</i>	88
Further on Visit by Indonesian Vice President		88
Evans, Sutrisno Meet 22 Sep	<i>[Jakarta Radio]</i>	88
Sutrisno Addresses Dinner	<i>[Jakarta Radio]</i>	88
Government Favors Free Trade Area With ASEAN	<i>[Melbourne International]</i>	88

Fiji

Cabinet Approves Plan for Peacekeepers in PNG	<i>[AFP]</i>	89
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Vanuatu

Plan Approved To Send 50 Troops to Bougainville	<i>[Melbourne International]</i>	89
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Reportage on ASEAN Economic Minister's Meeting

Issues on Agenda Previewed

BK2209121794 Bangkok BANGKOK POST in English
22 Sep 94 p 4

[Report from Chiang Mai by Peter Maitri Ungphakon]

[Text] Today or tomorrow ASEAN's economic ministers are due to give their first reaction to proposal to create free trade in the Asia-Pacific region by the year 2000.

The ministers face a number of challenges in trying to meet the task. They and their officials have not had enough time to devise comprehensive national positions on the many recommendations of the report, the second to be submitted by a group of economists, businessmen and academics that the Asia Pacific Economic Cooperation (APEC) group appointed two years ago.

They want to reach a common position on many, if not all, of those proposals by the time APEC's ministers and leaders meet in Indonesia in November, and they will meet again before the November conference—perhaps when APEC trade ministers hold talks next month.

But the six ASEAN members have widely differing views on trade liberalisation among APEC members, ranging from Singapore's virtually unqualified enthusiasm to Malaysia's clear reservations. The second report of the so-called Eminent Persons Group is designed to ease some of the concerns of ASEAN's doubters.

ASEAN's economic ministers and officials feel they have sometimes been overshadowed by their foreign affairs colleagues in APEC affairs even though APEC's main thrust is economic cooperation. They feel that this has left ASEAN ill-prepared to react to the many proposals that have come from the larger countries in APEC, let alone to devise a strategy for APEC that will serve ASEAN's interests properly.

Therefore, the one point of consensus to emerge this week that is probably a certainty is the determination to send senior economic officials from ASEAN to attend all major APEC functions. Senior officials preparing for the ministerial meeting this week were unanimous on that point.

The first Eminent Persons Group report was submitted to last November's APEC meetings in Seattle. It proposed that APEC should become an Asia Pacific economic community, a name that would at least turn the acronym into a body rather than a concept.

The choice of the word "community" caused alarm bells to ring among Asian hesitants (China as well as ASEAN) because the European Community came to mind.

Fred Bergsten, the group's chairman and director of the US Institute for International Economics, together with Narongchai Akkharasani, chief executive of General

Finance and Securities Co in Thailand and a member of the group, spent hours in Seattle explaining that their version of "community" had a small "c", which meant that it would be nothing like a common market with a large bureaucracy.

The group was asked to clarify its vision for APEC and last month it released its second, 53-page report.

"We have become even more impressed by the potential of APEC," the group concludes. "It can clearly make a major contribution to the economic prosperity of all our peoples. It can contribute mightily to the prosperity and stability of the international economy. And though APEC should maintain its focus solely on economic issues, its success can enhance peace in both the APEC region and the world as a whole."

The report is more than a recommendation for the creation of a free trade area by the year 2020. It includes proposals for an investment "Concord" that would ensure that investment policies and laws in member countries are transparent, that investment would be protected, for example, by guarantees of compensation if projects are nationalised, and that export performance and local content requirements be phased out.

In order to make the idea more acceptable, the Eminent Persons Group says the concord should be voluntary. But it should be drafted by all APEC members in order to be acceptable to as many members as possible, the report says.

The proposal also seeks common product and industrial standards in the region and simpler testing and measurement procedures in order to make trade in the region easier. It advocates "polluter-pays" principle for environmental protection and calls on APEC governments to invest jointly in environmentally-friendly projects.

The Eminent Persons Group also envisages greater cooperation in financial and macroeconomic policies with regular meetings of finance ministers, perhaps at international events such as World Bank and IMF conferences; a task force to examine "abusive" anti-dumping practices; a trade dispute "mediation service"; and technical cooperation in infrastructure, the promotion of small and medium enterprises and human resources development.

The part of the report that has received the greatest attention is the proposal for free trade in the region by the year 2020—2010 for industrial countries, 2015 for the newly-industrialised countries and 2020 for the rest. The group wants this year's APEC ministerial meeting to agree to start the moves towards regional free trade in the year 2000.

A degree of flexibility is incorporated into the proposal, allowing countries to move slower than the agreed timetable. Products that are liberalised behind schedule would not be able to enjoy reciprocal liberalisation in other APEC countries until they catch up with the

schedule, however—a proposal modeled on a similar provision in the ASEAN Free Trade Area programme.

To prevent APEC being seen as protectionist, the group insists that APEC give priority to global liberalisation, and member countries will be encouraged to liberalise unilaterally, lowering barriers on products imported from all trading partners whether inside or outside APEC.

It places emphasis on the trading system of the General Agreement on Tariffs and Trade and of the new World Trade Organisation, urging countries to ratify the WTO agreements that were concluded in the Uruguay Round of world trade talks. It calls for China and Taiwan (without naming them) to join the GATT/WTO.

Whether this is flexible and "open" enough to satisfy ASEAN remains to be seen. Thai Deputy Prime Minister Suphachai Phanitchaphak said last week that the proposal ought to be acceptable because the timetable is more than a decade behind that of the AFTA programme and the Uruguay Round of world trade talks.

Indonesian President Suharto is even reported to have recommended shortening the timetable to 2010, although his economic officials in Chiang Mai this week are not said to have mentioned such a revision in the ASEAN meetings.

Malaysia, traditionally the most cautious on APEC, may have some hard questions to ask. Without naming any country, Thailand's Kroekkrai Chiraphaet, chairman of the ASEAN senior economic officials' meeting seemed to hint that reaching an ASEAN consensus might be difficult.

The main question that doubters such as Malaysia have about APEC trade liberalisation is not an objection to lowering trade barriers, but whether APEC is the right forum to do so.

The Eminent Persons Group report argues that APEC is appropriate because of the increasing economic integration of countries on both sides of the Pacific Ocean. The report sees as additional advantages: the way APEC could accelerate the convergence of economic policies among countries that previously ranged from communist to free ports; and the improved security that should arise from economic prosperity.

It sees APEC as a response to the creation of trading arrangements in Europe—the European Union's single market and the European Economic Area, which covers the EU and neighbouring countries—and in the America, notably the North American Free Trade Agreement which could extend to South America.

It does not address directly concerns that such a large trading group spanning the Pacific would leave the European Union isolated and suspicious. But its implicit response is its emphasis on giving priority to global liberalisation and support for the GATT/WTO trading system.

Thailand's Chuan Opens Meeting

*BK2309103494 Bangkok THE NATION in English
23 Sep 94 p A6*

[“Text” of address by Thai Prime Minister Chuan Lik-phai opening the ASEAN economic ministers meeting in Chiang Mai on 22 September]

[Text] We are now in a relatively favourable global setting. We are bracing ourselves for the new era with greater confidence and optimism. It is nevertheless imperative that we really understand both the present situation and the challenges ahead.

As we all know, with the passing of the Cold War, geo-economic issues have come to the fore, demanding to be more vigorously attended to. We are fortunate to have made some significant progress in these matters.

The successful conclusion of the Uruguay Round, in particular, has reaffirmed the global support for the multilateral trading system. We will soon have, in place of Gatt, the new World Trade Organization (WTO). Within the Asean grouping, we now have the Afta programme to ensure mutual tariff reductions. Other areas of regional cooperation are also taking shape which may complement our efforts at trade liberalization.

However, there have also emerged trends not wholly favourable to the developing countries. First and foremost are new types of trade barriers, essentially those which are non-economic in nature, and most evident in some developed nations. A concomitant of these phenomena is the growth of regional economic groupings with inward-looking potentials.

How will Asean stand up to such challenges? To me the most straightforward answer is that a united Asean will be in a far better position to face both the challenges and opportunities of our age than its individual member countries striving on their own.

We must deepen and widen cooperation in a mutually beneficial way, and reduce our dependence on traditional export markets. To facilitate trade expansion, we must seek to eliminate tariff and non-tariff barriers. Through our mutual efforts, Afta will have an important impact on increased intra-Asean trade.

To date, Afta has a domestic market of just under 340 million people with a combined GNP of US\$430 billion, or about US\$1,200 per capita. This potential must be reckoned with.

Through its implementation process Afta will affect industries in each country in a different manner. If we look at Afta from a short-term point of view, or from a specific industrial interest, it is rather natural that some will benefit from trade liberalization while others may feel the pains of adjustment. But Afta should be viewed from a longer and broader perspective. We must not let

the short-term negative effects faced by certain industries override the longer-term mutual gains that we would derive from closer collaboration.

This is actually the commitment we reached at the Fourth Asean Summit. Now is the time to make another decision to speed up its implementation. This has been made urgently crucial by the swift developments in the global economic environment. Our success in strengthening Afta testifies to our strong will and determination to stand up to the new global challenges.

It is also an Asean commitment to achieve in the near future a truly regionwide cooperation under its umbrella. I am glad to say that the past few years have witnessed important progress in that direction. One major development is the move towards creation of complementary subregional economic growth areas. These include the Southern Growth Triangle comprising Singapore, Indonesia, and Johor State of Malaysia. Similar growth areas include the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and the Eastern Growth Quadrangle encompassing Malaysia, the Philippines, Indonesia, and Brunei Darussalam. Moreover, I believe that Thailand's collaborative ventures in a similar direction on mainland Southeast Asia will contribute to the eventual realization of a region-wide grouping.

Such sub-regional initiative will facilitate the flow of goods and peoples, harmonization of transportation and telecommunications networks, and integration of other service facilities. Concurrently private-sector initiatives can be supported through investment protection agreement or similar schemes. This will promote investment by both local and foreign or joint ventures. Finally, industrial relocation taking place in various countries could be encouraged to be directed to these sub regional areas.

Looking beyond Asean, it seems that one necessity in dealing with a more regionalized world is the concept of open regionalism. The vital elements of open regionalism must be a commitment to non-discrimination in trade and work in supporting or complementing the multilateral trading system.

We in Asean must work together to ensure that the Asia-Pacific Economic Cooperation (Apec) is geared towards being non-discriminatory and supportive of the Gatt. The 17 countries that form Apec, though different in many respects, are unified by their commitment to a global free trade. Their collective voice in pressing for the conclusion of the Uruguay Round of multilateral trade negotiations was one testament of such faith.

As a single entity, Asean has been successful in maintaining our identity and unity in Apec. We must continue to do so. We should advance our stance in the group by actively taking initiatives that would contribute to greater cooperation in the region. At the same time, Apec can also be instrumental in Asean's attempts to expand technical and technological collaboration with those outside.

Apec is, and should remain, a forum for cooperation for growth and mutual benefits. Further trade liberalization within the grouping should be made consistent with the basic principles of Gatt and Asean's spirit of open regionalism. Therefore, at the same time, we in Asean should work to develop linkages with other open, non-discriminatory economic groupings in the scope and form that will be mutually beneficial.

Above all these sub-regional, intraregional and inter-regional webs of cooperative networks, we must reaffirm our fundamental support for the multilateral trading system. In a world where free and fair trade is vital to the economies of small trading nations, only such an institution can provide a suitable forum for trade negotiations, harmonization of trade rules, reduction of tariff and non-tariff barriers and an equitable system of dispute settlement. Asean has been active in the Gatt and we must continue our active efforts in the WTO once it comes into being.

Finally, in looking ahead, let me emphasise that Asean is no longer a base for cheap-labour production. Through our linkages with foreign enterprises operating in the region, we have kept abreast of developments in various crucial fields, including information technology, telecommunications, financial services and the like. The use of advanced technology must be cultivated to sustain our growth dynamism and to face new challenges.

Apart from intra- and extra-Asean cooperative ventures, each individual member country must continually strive to improve and upgrade its own potentials, undertaking necessary restructuring in responding to shifts in supply and demand in our increasingly competitive world. Some of us are still beset with problems ranging from shortage of skilled and productive workforce to infrastructural constraints. These difficulties must be attended to at the same time as we proceed with our cooperative efforts at all possible levels.

In addition, intellectual property protection should be considered as a major means to promote greater creativity and technological progress. Therefore, it is essential for Asean to give effective protection to intellectual property rights. We should aim for Asean-wide protection of intellectual property in a manner compatible with our international obligations.

In conclusion, I would like to wish you every success in your deliberations in the next few days. I sincerely hope that you will come up with constructive results that will provide another milestone in Asean's success story. Let us work together with a sense of unity and determination that Asean shall be an economic force to be reckoned with in the international economic arena in the decade to come.

Report Views Chuan's Address

BK2309123694 Bangkok BANGKOK POST in English
23 Sep 94 pp 19, 30

[Text] Chiang Mai—Prime Minister Chuan Likphai warned yesterday that the difficulties some industries

will face under the ASEAN Free Trade Area programme should not be allowed to hold up the gains AFTA will give to the majority. His declaration, given in his opening address to the ASEAN economic ministers' meeting yesterday morning, was the clearest signal he has given so far that his Government believes protection for high-cost industries such as petrochemicals to be the wrong way to deal with the impact of AFTA.

"Through its implementation process, AFTA will affect industries in each country in a different manner," he said.

"If we look at AFTA from a short-term point of view, or from a specific industrial interest, it is rather natural that some will benefit from trade liberalisation while others may feel the pains of adjustment. But AFTA should be viewed from a longer and broader perspective. We must not let the short-term negative effects faced by certain industries override the longer-term mutual gains that we would derive from closer collaboration."

His comments came after Thailand decided not to exclude some petrochemicals products from AFTA after all, a position that Deputy Prime Minister Suphachai Phanitchaphak last week said he had advocated but one on which had been outvoted by Cabinet colleagues.

The change of mind apparently arose because of fears that if Thailand demanded other ASEAN countries bring all petrochemicals into the AFTA programme, then the others, such as Malaysia, would resume demands for Thailand to bring palm oil into the programme.

Thailand had previously objected to other ASEAN countries' decisions to put some petrochemicals on their exclusion lists. Ministers had considered putting similar products on Thailand's exclusion lists if the other ASEAN countries did not remove petrochemicals from exclusion.

Malaysia, for example, is protecting production of polypropylene and polyethylene not only by retaining 30 percent protection-level tariffs on competing imports, but also by restricting imports through a special licensing scheme.

Asmat Kamaludin, secretary-general of the Malaysian Ministry of International Trade and Industry, said earlier this week that the import licensing would only last for two years, and the 30 percent tariff will "definitely" be phased out. He described the measures as temporary protection to help new industries become established.

"Malaysia doesn't believe in permanent protection," he said.

ASEAN ministers agreed on Wednesday that exclusions from the AFTA programme will have to be eliminated by the year 2000 although ASEAN is still considering whether to draft rules that would allow future withdrawals from the programme.

Thailand's decision means that all petrochemicals will remain on AFTA's "normal track" now targeted to bring all tariffs down to 0 to 5 percent by 2003.

The pressure for protection comes from "upstream" petrochemicals industries such as polypropylene and polyethylene that produce more basic materials. "Downstream" industries using products from "upstream", for example plastics manufacturers, are considered well able to compete in ASEAN and world markets especially if they are allowed to use low priced materials either imported or produced locally.

Mr Chuan's statement appears to be confirmation that protection cannot be retained on upstream petrochemicals because to do so would make the products too expensive for downstream industries.

Finance Minister Tharin Nimmahemin told reporters on Wednesday that other means would be found to assist the upstream operations. He pointed out that the problem arose because of the cost of raw materials used—essentially natural gas from the Gulf of Thailand which is expensive partly because of the long distance it has to be piped ashore.

The set up was created to benefit the Petroleum Authority of Thailand, he said, indicating that some means of requiring the PTT to share the burden of adjustment might be found.

Mr. Tharin said another means of helping upstream industries survive lower tariff barriers might be to refinance the National Petrochemicals Corp's loans so that the present condition attached to the loans could be eased. These conditions require the NPC projects to earn a given amount of profit.

In yesterday's speech, Mr. Chuan said AFTA was needed to meet the challenges of new world conditions. He described as favorable, the passing of the Cold War and the conclusion of the Uruguay Round of trade negotiations that is scheduled to lead to the creation of a new World Trade Organization early next year.

"However, there have also emerged trends not wholly favorable to the developing countries," Mr Chuan said. "First and foremost are new types of trade barriers, essentially those which are non-economic in nature, and most evident in some developed nations. A concomitant of these phenomena is the growth of regional economic groupings with inward-looking potential."

The solution for ASEAN was to "deepen and widen cooperation in a mutually beneficial way, and reduce our dependence on traditional export markets. To facilitate trade expansion, we must seek to eliminate barriers."

"Through our mutual efforts, AFTA will have an important impact on increased intra-ASEAN trade," Mr Chuan said.

End to Eminent Persons Group Sought

BK2309125594 Bangkok *THE NATION* in English
23 Sep 94 p B1

[Text] Chiang Mai—The six-member Association of Southeast Asian Nations will propose a dissolution of the Eminent Persons Group [EPG] at the upcoming Asia-Pacific Economic Cooperation (Apec) Summit in Indonesia now that the EPG has completed its second controversial report envisioning free trade in the Asia-Pacific, a source said.

In late August the EPG, appointed by the 17-member Apec countries to lay out a framework for regional economic cooperation, released the report calling for the Apec members to consider steps to create a free trade area by the year 2020. The source indicated that the Asean economic ministers, which took part in an annual meeting yesterday, devoted most of their time discussing the EPG report but failed to reach a consensus as to how they should form a common stand in Apec.

Dr Narongchai Akkhraserani, a notable economist and chairman of GF Holding, is a member of the EPG. In its first report the EPG is more rigid in its recommendation for Apec to consider forming an Asia-Pacific Community, subsequently adopted at the Seattle Summit as "a community of free trading nations."

The second EPG report contains broad terms that challenged the Asean leaders and delegates to determine their exact meaning. For instance, the ministers discussed one of the EPG's recommendations for Apec to adopt a free and open trading status.

"We spent a lot of time discussing what the term 'free' means. Does it mean free among the members or free for all countries," said a delegate. "How open should open trading be?"

In Seattle last year Rafidah Aziz, the Malaysian minister for international trade and industry, expressed her dissatisfaction with the EPG report, indicating that it called for the institutionalization of Apec against the original objective of Apec as a consultative forum.

Apec has become a crucial agenda of the Asean economic ministers, who failed to bridge their differences over the unified stand of Asean in its Apec participation. The issue was so sensitive that delegates attending the meeting yesterday were ordered to seal their lips, awaiting a formal news conference today after the Asean ministers concluded their two-day meeting.

Malaysia was reported to be apprehensive about the aggressive move of the United States to create a new trading bloc in Apec, which will result in the dilution of its East Asian Economic Caucus proposal.

Prime Minister Chuan Likphai has made it clear that Thailand supports EAEC in so far as it is a loosely

consultative forum. However, Thailand and the rest of Asean have yet to come up with a formal national position on Apec.

Dr Suphachai Phanitchaphak, the deputy prime minister and head of the Thai delegation, has been trying to strike a compromise to forge a unified Asean stand on Apec.

Disagreement on Tariff Rates

BK2309124894 Bangkok *BANGKOK POST* in English
23 Sep 94 p 2

[Text] ASEAN Economic Ministers failed to reach an agreement yesterday on concessional tariff rates charged on products made by promoted enterprises under the ASEAN Investment Joint Venture (AIJV) programme. AIJV promotes joint ventures in ASEAN by cutting the tariffs on products traded within the group to only 10 per cent of the "normal" rate. But the definition of what constitutes a "normal" rate has now become controversial.

ASEAN's economic ministers could not agree whether this should be the rates ASEAN countries charge on imports from the rest of the world or the lower rates that are coming into effect for trade within ASEAN under the ASEAN Free Trade Area (AFTA).

Indonesia had proposed that the preference rate for promoted joint ventures should be 10 per cent of the rates charged imports from outside ASEAN, and after five years switched to the same rates as charged under the free trade programme. Others are suggesting 10 per cent of the rates under AFTA.

A Commerce Ministry official said the Indonesian proposal was unacceptable to senior officials from other countries because of fears it might not be practical. The official said that if a normal tariff rate is 40 per cent, AIJV products traded within ASEAN should attract tariffs of only four per cent.

When the preferential period ends in five years, the products must pay the AFTA rate even though it might be higher than the preferential rate. He said other countries felt this rate would fail to attract investment because it did not ensure certainty for investors that their industries will be protected.

Deputy Prime Minister Suphachai Phanitchapak said after the meeting it was agreed the investment proportion of countries outside ASEAN could be a maximum of 60 per cent of total investments until the end of 1996.

Opposition to Textile Content Rules

BK2309125794 Bangkok *THE NATION* in English
23 Sep 94 p B2

[Text] Chiang Mai—Singapore has strongly opposed the joint effort by Thailand, Malaysia, Indonesia and the Philippines' textile industries, which had asked the

Asean economic ministers to apply "substantial transformation" instead of the 40 per cent local content requirement under the Common Effective Preferential Tariff Scheme (CEPT). According to the rules of origin for textiles and textile products, a country of origin is the one in which the last substantial transformation or process was performed resulting in a new product. Thus, materials which underwent a substantial transformation in a country shall be regarded as a product of that country.

A textile or textile product will be considered to have undergone a substantial transformation or process if it has been transformed by means of substantial manufacturing or processing operations into a new and different article of commerce.

Razali Johari, president of the Asean Chamber of Commerce and Industry, and Sophon Wichitrakon, president of the Asean Federation of Textile Industries yesterday presented their joint proposal to the Asean economic ministers.

The Afta Council agreed on Wednesday, in principle, to the request of the Asean Federation of Textile Industries (AFTEX) and endorsed the establishment of a working group, comprising representatives from the private and public sectors, to study the AFTEX proposal of substantial transformation and to compare it with alternatives. The local content requirement of 40 per cent (one of the conditions for a product to be eligible for concessions under the CEPT) has prevented the growth of textiles trade among the Asean members, said Sophon.

Singapore wants to reduce the local content requirement from 40 per cent to 20 per cent, said a source in the textile industry. The new application will hurt Singapore interests because the Singapore textile industry does not really manufacture finished products. Singapore just imports and re-exports goods. Sources also noted that even under the local content scheme, Singapore does not benefit.

"I have doubts about why the Singaporeans are staging opposition," said the source. "In fact, the Singaporean textile industry earlier agreed with the private sectors of Thailand, Indonesia, the Philippines and Malaysia but when the ministers met, they switched to an objection," one source said.

Sophon said a working group will meet next month and it will submit a report to the senior economic officials of Asean in December, and he expects that the report will be submitted to the Asean economic ministers meeting in April.

Asean countries import raw materials amounting to 50-70 per cent of the total content of products and in some cases 80 per cent, so it is impossible to meet the local content requirement of 40 per cent, Sophon said.

Sophon also wants Thai import tariffs on raw materials to be reduced from an average of 30 per cent to a level of

5 per cent as has been done in Indonesia and Malaysia. He also welcomed the shortened time frame of Afta from 15 to 10 years, which he hopes will benefit the Asean textile industry.

Thailand exported Bt120 billion worth of textiles and garments last year and the forecast this year is for a total of Bt150 billion in exports.

Thailand's Suphachai Briefs Media

*OW2209174694 Tokyo KYODO in English 1532 GMT
22 Sep 94*

[by Keiji Urakami]

[Text] Chiang Mai, Thailand, Sept. 22 KYODO—Economic ministers from the six members of the Association of Southeast Asian Nations (ASEAN) agreed Thursday [22 September] to set up a joint task force with Japan to help smooth reconstruction and economic reforms in the Indochinese countries, the Thai deputy prime minister said.

Suphachai Phanitchaphak told a press conference that the scheme is designed to "stimulate trade industries and facilitate market reforms" in the three Indochinese nations of Cambodia, Laos and Vietnam as well as Myanmar [Burma].

Supachai made the remark following the first-day session of the 26th ASEAN Economic Ministers (AEM) Meeting, which ends Friday here in the former capital.

The ASEAN-Japan working group on economic cooperation and development in Indochina and Myanmar will be formally announced at the third economic ministerial meeting between Japan and ASEAN, set for Saturday in Chiang Mai, Suphachai said. The working group will comprise two experts from each ASEAN country and an unspecified number of Japanese experts, said the deputy Thai premier, who chaired the ministerial meeting.

Thailand initially proposed the plan, which will concentrate on accelerating economic development and reconstruction of business in the Indochinese nations, which lags far behind their neighbors due to a prolonged civil war. The move complements Japan-led international efforts to rehabilitate the countries.

Suphachai said ministers from Thailand, Indonesia, Malaysia, the Philippines, Singapore and Brunei also agreed during Thursday's session to establish a mechanism to study ASEAN's linkage with other regional trading groups and blocs. He said ASEAN will first create a secretariat within the group to examine the pros and cons of such linkage.

Suphachai said the ASEAN countries also agreed to launch informal consultations, whenever necessary, with the North American Free Trade Agreement (NAFTA) and the Closer Economic Relation (CER), a free trade scheme between Australia and New Zealand.

"The consultations are intended to explore the arena of mutual benefits," Suphachai said. "This is the first important step" Suphachai said of ASEAN efforts to expand its ties with other groups.

Also agreed upon Thursday included two programs within ASEAN to improve infrastructure in the fields of transportation and communications and the other in energy, he said. He said the economic ministers discussed who should fill the director general post of the World Trade Organization (WTO), a multilateral trade body that is to replace the General Agreement on Tariffs and Trade (GATT) starting Jan. 1.

"Anyone who would be chosen for the post should be well-acquainted with what would be the benefits of ASEAN," he said.

On ASEAN's stance on trade and investment liberalization in the Asia-Pacific region, Suphachai made no clear-cut answer. How to coordinate a joint stance on the issue has raised conflict among ASEAN countries with the approach of an informal Asia-Pacific Economic Cooperation (APEC) forum in Indonesia on Nov. 15.

"We had discussions at full length on the matter, and I think we got rather united," Suphachai said. Talks centered on the evaluation of an August report by the eminent persons' group, an advisory body to the APEC forum. The report set a goal of free trade in all goods and services in APEC by 2020.

Indonesia was recently reported to have urged speedier trade liberalization. Singapore is advocating a full-scale free trade stance among the 17-member APEC forum, but Malaysia is spearheading opposition, preferring to push for freer trade and investment under the proposed East Asian Economic Caucus (EAEC).

The ASEAN economic ministers meeting came after Malaysia and Indonesia recently clashed over what position ASEAN should take on trade liberalization in the APEC area. Some conference sources said the ministers are unlikely to hammer out a consensus during the current meeting.

"No ASEAN minister clarified even a national stance of the home country," one conference source said.

'Lack of Coordination' Mars Meeting

BK2309073294 Bangkok BANGKOK POST in English
23 Sep 94 pp 1, 3

[Text] Chiang Mai—ASEAN economic ministers have accused their foreign affairs counterparts of failing to consult them on economic and business matters involving ASEAN's dialogue partners. The economic ministers decided yesterday their current chairman, Deputy Prime Minister Suphachai Phanitchaphak should write a letter to the foreign ministers' chairman, Brunei Foreign Minister Prince Mohamed Bolkiah concerning the lack of coordination on economic issues.

Discontent has been simmering for some time between the two lots of ministers. The foreign ministers, traditionally the more senior in ASEAN's hierarchy, have become increasingly involved in economic issues as politics and security have become less important.

The event that triggered the decision to put the complaint in writing is the forthcoming meeting in Stuttgart of the ASEAN foreign ministers and the ASEAN-European Union [EU] Business Council.

The economic ministers complained they had not been consulted about the meeting which follows on from the current annual ASEAN-EU conference in Karlsruhe.

Sources attending the economic ministers meeting here say the issue was raised yesterday by Malaysian International Trade and Industry Minister Rafidah Aziz. At least two other ministers are known to share the discontent: Dr Suphachai and Philippines Trade and Industry Secretary Rizalino Navarro.

Dr Suphachai complained yesterday of a lack of consultation on other meetings such as the ASEAN foreign ministers' talks with India on economic issues. One of the most serious complaints has been about the foreign ministers' leadership of the Asia Pacific Economic Cooperation (APEC) group, whose main area of concern is economic. Tied up in the rift is rivalry within bureaucracies such as Thailand's leadership in trade negotiations—whether this should be the responsibility of the foreign or commerce ministry.

The economic ministers have agreed this year that their senior officials should participate in all major APEC meetings. Behind the decision is the feeling that ASEAN has failed in the past to respond adequately to such proposals as free trade among APEC countries because of a lack of consultation with the foreign ministers.

"It concerns us that some time economic ministers are not aware of the negotiations with dialogue partners," said Dr Suphachai. He said there was no coordination between the foreign and economic ministries.

Dr Suphachai said the economic ministers had nothing to do with the forthcoming meeting with the ASEAN-European Union Business Council in Stuttgart organised as part of the annual ASEAN-EU dialogue during which key ASEAN business people will meet their EU counterparts.

The Thai Foreign Ministry has argued all along that it is better placed to coordinate diplomacy on economic issues because no single ministry handles all the subjects of an organisation such as APEC. APEC's programmes range from human resource development to telecommunications.

A foreign ministry official said the ASEAN foreign ministers would only be present at the meeting of the ASEAN-EU Business Council in Stuttgart "as a blessing"

when Thai business people meet their EU counterparts. They are not involved directly.

Another senior official with the Foreign Ministry said it had always been the practice for the ASEAN foreign ministers to talk to dialogue partners—Australia, Canada, the European Union, Japan, New Zealand, South Korea and the United States. India is a sectoral dialogue partner. He also said the Foreign Ministry had always coordinated with other ministries on trade and business matters prior to international meetings and informed them of the outcome afterwards. The official said the Foreign Ministry welcomed any suggestions aimed at improving the work of ASEAN.

Liberalization Talks Reach Impasse

*BK2309083094 Bangkok BANGKOK POST in English
23 Sep 94 p 2*

[Text] ASEAN's economic ministers apparently failed to agree on a response to a proposal for trade liberalisation in the larger Asia Pacific Economic Cooperation (APEC) group by the year 2020.

The issue was apparently considered so sensitive that in a briefing for reporters at the end of yesterday's sessions of the ministerial meeting, Thai Deputy Prime Minister Suphachai Phanitchaphak said he would rather leave comments on the proposal to be made by all ministers at a joint press conference today. ASEAN members are known to have a range of opinions on wider regional liberalisation.

Malaysia is the strongest opponent of APEC developing beyond a "loose consultative body" and Singapore most in favour of trade liberalisation in the group. The proposal for free trade by 2020 comes in a second report from APEC's group of "eminent persons"—academics and businessmen appointed to create a vision for APEC's future.

The second version has toned down the first version's proposal for free trade, with a long timetable, more emphasis on global liberalisation and greater freedom to opt out. But Thai officials say considerable amount of concern remains among ASEAN countries. In addition to Malaysia's general reluctance concerning APEC is a fear that liberalisation will leave ASEAN's own free trade area programme meaningless.

Some ministers, such as Dr Suphachai, have suggested that the second report is not so objectionable because the timetable for liberalisation is much longer than AFTA or the agreements of the Uruguay Round of World Trade Talks.

Yesterday the economic ministers also confirmed a decision by the AFTA Council to accelerate the AFTA programme and to get rid of exclusions by 2000.

The ministers agreed to set up a committee to try to bring agricultural products into AFTA with the minimum number of exemptions. They endorsed proposals

to draft joint programmes of action on transport and communications, and on other types of infrastructure such as public utilities and energy.

The ministers decided that they did not need to back the same candidate to head the new World Trade Organisation, but they agreed that they should inform each other about their choices, and that they should support candidates who would serve ASEAN's interests.

They decided to study possible linkages with North American and New Zealand-Australian free trade pacts, and to try to harmonise their policies on intellectual property rights.

Philippine Trade Secretary Interviewed

*BK2209120694 Bangkok BANGKOK POST in English
22 Sep 94 p 21*

[Text] Secretary of Trade and Industry of the Philippines Rizalino Navarro was in Chiang Mai this week attending the 26th meeting of ASEAN Economic Ministers. Here, he responds to questions submitted by the BANGKOK POST on various issues affecting ASEAN and AFTA:

[BANGKOK POST] What is the value of your country's imports enjoying AFTA rates? What percentage is this of your country's total imports from other ASEAN countries?

[Rizalino Navarro] For the first semester of 1994, Philippine imports under the CEPT [Common Effective Preferential Tariff] Scheme were valued at about US\$2.6 million or 0.22% of the country's total imports from ASEAN which amounted to US\$1.2 billion. The value of products granted CEPT preference by the Philippines is broken down as follows: Indonesia, US\$1.1 million; Singapore US\$0.9 million and Thailand, US\$0.7 million.

[BANGKOK POST] What is the value of your country's exports enjoying AFTA rates? What percentage is this of your country's total exports to other ASEAN countries?

[Navarro] As for exports, the Philippines exported about 336.9 million under the CEPT. This was about 66.7% of the country's total exports to ASEAN which were valued at US\$580 million.

Total trade during the first semester of 1994 would appear to be insignificant. This is due to the fact that not all ASEAN countries were implementing the CEPT Scheme during that period. Besides, ASEAN expected that during the first year of implementation, CEPT would not impact much on ASEAN trade as this adjustment period ASEAN as they put in place the mechanism of the CEPT Scheme. Another factor to consider is that at this point, the level of awareness of the private sector on the opportunities of this Scheme is still low. ASEAN member countries, however, have embarked on information dissemination programmes to bring AFTA to the private sector.

[BANGKOK POST] Do you think Thailand and your other ASEAN partners are doing enough on AFTA?

[Navarro] At this point, we can say that Thailand and the other ASEAN countries are doing their share on the realisation of the AFTA through the CEPT. During the first semester, ASEAN officials have been meeting continuously to thrash out problems in the implementation of the CEPT.

[BANGKOK POST] What kind of lobbying do you face within your own country from the private sector groups that are for or against AFTA? What do you tell them? Which sectors face the most difficult adjustments?

[Navarro] Lobbying by the private sector, especially those that come from domestic industries that have been protected for such a long time, is quite normal. Against the AFTA, however, I can say that there was never an intense lobbying insofar as the Philippines is concerned.

As of now, it is too early to identify which sector will face the most difficult adjustments as we are only on the initial phase of the CEPT Scheme where tariff cuts are not yet that substantial. For the Philippines those that were reduced to the 0.5% range are raw materials which are not locally produced and deemed important for the manufacturing industry. Studies conducted on the impact of AFTA on Philippine industries show that the Philippines can maximise its export potential in textiles, fertilisers, electronic products among others. While these studies have identified potential losers and gainers in the short-run, it is important for us to note that even these potential losers or gainers are not clear-cut. Effects in the long-run, i.e. new investments, competition and technological know-how can transform short-run losers into winners and/or vice versa.

[BANGKOK POST] ASEAN economic ministers have agreed to speed up AFTA partly to match the time tables of the Uruguay Round agreements and of other free trade areas. But recent reports suggest that ASEAN members are now considering withdrawing large numbers of products from the AFTA programme. Are ASEAN countries serious enough to make AFTA a meaningful programme?

[Navarro] ASEAN member countries are committed to the realisation of the AFTA over a given period of time. To date, all member countries, except one, are implementing the Common Effective Preferential Scheme which is the main instrument for ASEAN to achieve the AFTA.

[BANGKOK POST] Why are we now seeing lengthening lists of products to be withdrawn?

[Navarro] The ministers have not been officially notified about the withdrawal of some products in the CEPT inclusion list.

[BANGKOK POST] The four large members are in the Cairns Group, and are therefore actively pressing for

liberalisation in agricultural trade. Why have these same countries agreed to keep unprocessed agricultural products out of AFTA? What is your country's position on this issue?

[Navarro] ASEAN member countries initially agreed to keep unprocessed agricultural products from the CEPT Scheme and not from AFTA. These are two different things. The inclusion to the agriculture sector in the CEPT is being seriously considered by ASEAN but special mechanisms for support and adjustment in sensitive agricultural products—like in WTO/GATS—must also be considered. While ASEAN has opted not to subject unprocessed agricultural products to the tariff cuts under the CEPT, they are not closing the door on the liberalisation of trade in agriculture. For the Philippines, we could move some non-sensitive unprocessed agricultural products into the CEPT as our contribution to the liberalisation of agricultural trade in ASEAN.

[BANGKOK POST] Why not liberalise the sector for trade among ASEAN neighbours first, instead of waiting for the most-favoured-nation GATT commitments?

[Navarro] ASEAN is not waiting for the most-favoured-nation GATT commitments before it liberalises trade in agriculture. In fact the informal AEM (ASEAN Economic Ministers Meeting) in Awana had directed SEOM (Senior Economic Officials Meeting) to look into the possibility of including the agriculture sector into the CEPT. A special working group created by SEOM on this matter has already met to discuss various approaches geared towards the liberalisation of the agriculture sector.

[BANGKOK POST] Should ASEAN accept the APEC eminent person group report that advocates making APEC a free trade area?

[Navarro] The EPG recommends free trade in the area as a voluntary unilateral unconditional offer of trade liberalisation with time frame of 10, 15 and 20 years for developed, NIEs and developing countries, respectively. Our position is that the AFTA process should not be eroded by any APEC trade liberalisation.

[BANGKOK POST] Do you think the Vietnamese economy is ready to join the AFTA programme? If not, should Vietnam remain outside AFTA or should it be given a slower timetable to implement AFTA. If Vietnam is treated differently under AFTA should it have full rights in decision-making on AFTA?

[Navarro] Vietnam's process towards a free and open market economy needs to be completed for her to relate to the AFTA countries. At this meeting, we will start dialogue with Vietnam to provide a better climate of understanding about each other's concern and objectives. We would like to assist and cooperate with Vietnam so that by the time she is ready she can actively and fully participate in ASEAN's existing programs of economic cooperation.

Once Vietnam accedes to ASEAN agreements, it shall have full rights in the decision-making process.

[BANGKOK POST] Since there is now a moratorium on new members of APEC could Vietnam join ASEAN but stay outside APEC until the moratorium ends? if so, how should Vietnam participate in ASEAN's decisions on ATEC.

[Navarro] We have to bear in mind that ASEAN's participation in APEC is on an individual country basis although ASEAN is important to APEC as a core group and the fastest growing economic area. Vietnam's participation in APEC should not be hinged on her participation in ASEAN. It will be decided by the general membership of APEC.

[BANGKOK POST] What do you hope to achieve from ASEAN's talks with MITI this year?

[Navarro] One of the issues to be discussed during this meeting would be the appreciation of the Japanese yen and its effects on ASEAN economies. It is in the interest of ASEAN to exploit this situation and the renewed interest of Japan to raise direct investments in ASEAN and the Asian region in general. ASEAN hopes that after the AEM-MITI, the Japanese government will be made to realise that relocating meaningful and significant production facilities in the ASEAN region would be for the mutual benefit of all economies involved. This would

enable Japan to maintain its international competitiveness and at the same time increase value-added exports from the ASEAN region.

On trade, ASEAN hopes that Japan would liberalise its trading regime to allow ASEAN to export more manufactured goods and not just raw materials.

[BANGKOK POST] Should ASEAN back a common candidate for the head of the WTO? Who should that be? Should ASEAN back Thailand's bid to chair the agriculture committee? Should ASEAN back Singapore's bid to host the 1997 WTO ministerial meeting?

[Navarro] Individual ASEAN countries have been approached by interested candidates or countries of candidates for support. Certainly, this is a matter which will be discussed by the ASEAN ministers. ASEAN has declared its support for Thailand and Singapore's bid.

[BANGKOK POST] What is the most important achievement that can be expected from the EAEC over the next 12 months? Why?

[Navarro] During the informal AEM in Awana in April, the Secretary-General of ASEAN has rendered a report on the EAEC. On this basis, the AEM will be discussing the modality on the implementation of the EAEC taking into consideration the views of the other member countries.

Japan

Further Reportage on Kono's Visit in Washington

Kono on Meeting With Clinton

OW2209180594 Tokyo KYODO in English 1749 GMT
22 Sep 94

[By Antonio Kamiya]

[Text] Washington, Sept. 22 KYODO—President Bill Clinton urged Japan on Thursday [22 September] to open up its markets, warning that the United States may impose trade sanctions against it unless there is negotiated settlement on their "framework" trade disputes.

"The president emphasized that unless agreements are reached under the framework initiative by the Sept. 30 deadline, he will have to consider remedies under U.S. trade laws," the White House said in a statement following a meeting between Clinton and Japan's foreign minister Yohei Kono.

Clinton "reiterated his firm commitment to opening Japanese markets to American goods and services," the statement said.

A Japanese official briefing reporters on the Clinton-Kono meeting said the two leaders agreed that the two countries should strive to resolve their trade disputes "as early as possible."

Frustrated by more than 14 months of fruitless talks, the Clinton administration has given Japan until Sept. 30 to work out an agreement on their trade disputes or face trade sanctions.

Clinton "expressed hope that the sides will reach an agreement as early as possible," a Japanese official said.

Kono was quoted as saying Japan "feels the same way."

The official said Clinton welcomes Japan's decision to put off an increase in consumption taxes, which U.S. officials have insisted is necessary to boost Japan's domestic demand and cut Japan's huge trade surplus.

The White House meeting, which began at 11:20 A.M. (12:20 A.M. Friday Japan time), followed an inconclusive, initial round Kono had with U.S. Trade Representative Mickey Kantor shortly after his arrival in Washington on Wednesday.

Among the U.S. officials present at the Oval Office session included Vice President Al Gore, Kantor, Robert Rubin, director of the White House National Economic Council, and Secretary of State Warren Christopher.

Asked what "message" Clinton was giving to Kono, White House Press Secretary Dee Dee Myers said, "we are looking for the Japanese to open their markets."

Myers declined to predict whether there would be a breakthrough in the stalled trade talks between the two countries. "I am neither optimistic nor pessimistic," she said.

"There are a number of issues yet to be worked at," Myers said.

At stake is a long-brewing dispute between Japan and the United States over Japanese Government rules and trade practices which the U.S. feels unfairly restrict U.S. firms from doing business in Japan.

Among the business sectors at issue include Japan's auto and auto parts market, government procurement in telecommunications and medical devices, insurance and flat glass.

Kono and Kantor, who met earlier this month in Los Angeles, spent nearly two hours meeting Wednesday but came up short of a deal.

They agreed to another try Thursday afternoon, allowing in the meantime lower-level officials to sort out some of the technical issues involved.

Japanese Government sources have suggested that the two countries may work out a deal in some of the areas in dispute, specifically in government procurement and insurance.

But officials have all but ruled out an overall settlement on how to boost U.S. sales in the Japanese auto market, the second largest in the world after the United States.

The main sticking point in the negotiations lies with the so-called "objective criteria" for measuring progress of imports to Japan, the same stumbling block which led to two previous ruptures in trade talks this year, the last time in late July.

The U.S. Government, adopting what the Clinton administration calls a "results-oriented" approach, has insisted that Japan commit to "objective criteria" measures that translate any trade deal with Japan to increased sales in the marketplace.

Japan has rejected the idea, arguing such a commitment is beyond government reach in free trade.

While senior U.S. Administration officials have vowed that Washington will use "unilateral measures" against nations which the U.S. feels unfairly restrict U.S. business, Kantor said Wednesday that the administration has yet to decide whether to impose sanctions against Japan.

The Sept. 30 deadline involves two separate U.S. actions.

One deals with Japan's government procurement practices, a trade sector where the U.S. Administration is authorized by trade law to slap sanctions.

The U.S. Government is also due to announce by that date whether to pursue "Super 301" action against Japan, and possibly other nations, for unfair trade practices over other trade areas. That action would set in motion up to 18 months of negotiation under the threat of sanctions.

Kono on Aid for DPRK Reactor

*OW2209183294 Tokyo KYODO in English 1813 GMT
22 Sep 94*

[Text] Washington, Sept. 22 KYODO—Japanese Foreign Minister Yohei Kono told U.S. President Bill Clinton on Thursday that Japan is ready to cooperate in an international framework to provide aid to North Korea to convert its graphite-moderated nuclear reactors into light-water ones, Japanese officials said.

In an hourlong meeting with the president at the White House, Kono said Japan is ready to participate and cooperate in the international framework for the North Korean aid on the condition that suspicions over Pyongyang's nuclear development are completely solved.

Kono noted the importance for Pyongyang to sweep away suspicions over its past development of nuclear weapons, the officials said.

Clinton and Kono agreed that the United States, Japan and South Korea continue cooperate in dealing with the problem, they said.

The Japanese officials said Japan's stance was also echoed in a letter by Prime Minister Tomiichi Murayama to Clinton delivered Wednesday.

In the letter, Murayama promised that Japan will help North Korea obtain light-water nuclear reactors, which produce less plutonium than the graphite models. That commitment would include participation in a U.S.-proposed consortium to help Pyongyang converts reactor program, Japanese officials said.

Kono also voiced support for U.S. efforts for the solution of the North Korean nuclear problem through negotiations, the officials said.

The U.S. and North Korea are scheduled to open the second session of the third round of high-level negotiations on Friday in Geneva.

More on Kono-Clinton Talks

*OW2309024294 Tokyo KYODO in English 0211 GMT
23 Sep 94*

[By Miu Oikawa Dieter]

[Text] Washington, Sept. 22 KYODO—Japanese Foreign Minister Yohei Kono said Thursday that Japan is ready to join an international effort to help North Korea convert its nuclear power reactors capable of producing

weapons-grade plutonium into less risky modern reactors, according to Japanese officials.

In a meeting with U.S. President Bill Clinton, Kono said that Japan will join the proposed international aid for North Korea in the replacement of graphite-cooled reactors with a light-water reactor system once suspicions have been removed that Pyongyang is developing a nuclear weapons program.

The Japanese officials said Tokyo's stance was outlined in a letter from Prime Minister Tomiichi Murayama delivered to President Clinton on Wednesday.

In negotiations with the United States in Geneva in August, North Korea said it will freeze construction of graphite-cooled reactors, cease reprocessing and seal its radiochemical laboratory in exchange for Washington's assurances that it will supply light-water reactors, which produce less plutonium, a key nuclear bomb component, than Russian-designed graphite reactors.

According to reports, the U.S. proposed that it would provide light-water reactors to North Korea at a cost of 4 billion dollars.

Seoul has offered to provide South Korean-model light-water reactors to Pyongyang if it comes clean on its nuclear program. But North Korea has rejected the offer, calling it an "intolerable insult" and has expressed its wish to use Russian-made reactors.

Kono, who arrived in Washington on Wednesday, also told Clinton it is important for Pyongyang to remove any suspicions regarding its past development of nuclear weapons, the officials said.

Clinton and Kono agreed that the U.S., Japan and South Korea should continue to cooperate on North Korea's nuclear issue. Kono said he supports U.S. negotiations on the nuclear problem.

Washington and Pyongyang are scheduled to resume high-level negotiations on Friday in Geneva.

During the hourlong meeting in the Oval Office, the Japanese foreign minister, who also serves as deputy prime minister, praised successful U.S. diplomacy in avoiding an invasion of Haiti, the officials said.

Clinton was quoted as telling Kono that resolving Haiti's problems will require more work, but reportedly did not call for Japanese assistance.

The U.S. was poised to lead a multinational armed invasion of the Caribbean island nation to restore exiled Haitian President Jean-Bertrand Aristide to power. Earlier this week, however, U.S. negotiators led by former President Jimmy Carter persuaded Haiti's military leaders to step down by Oct. 15.

On the subject of bilateral relations, Kono said he hopes Japan and the U.S. will reach an accord on the stalled

"framework" trade talks so that it will have a positive impact on overall bilateral relations, the officials said.

U.S. Vice President Al Gore, who was among those attending the meeting between Clinton and Kono, said that Washington's relationship with Tokyo was "productive." The two countries cooperate in such fields as population, environment and other global problems.

On Russia, Clinton and Kono agreed that it is important to seek resolution of the territorial dispute between Tokyo and Moscow. Clinton said that he will raise the issue in a planned meeting with Russian President Boris Yeltsin, who is scheduled to visit the U.S. from Monday.

The territorial row involves four Russian-held islands off Japan's northernmost island of Hokkaido which were seized by the former Soviet Union at the end of World War II.

Clinton and Kono also agreed on the importance of promoting the Asia-Pacific Economic Cooperation (APEC) Forum, the officials said.

In a separate meeting, U.S. Secretary of State Warren Christopher and Kono agreed to promote good bilateral relations, the officials said.

Christopher reiterated U.S. support for Japan's bid to become a permanent member of the UN Security Council, according to the officials.

Kono thanked the U.S. for supporting Japan's bid since the early 1970s. He said he plans to spell out Japan's position on the matter in his speech next week before the UN General Assembly.

During the half-hour meeting with Christopher, Kono suggested that Japan and the U.S. cooperate in UN reforms next year on the occasion of the 50th anniversary of the foundation of the world body.

Kono, Kantor Hold Talks

OW2309015994 Tokyo KYODO in English 0145 GMT
23 Sep 94

[Text] Washington, Sept. 22 KYODO—Japan's Foreign Minister Yohei Kono and U.S. Trade Representative Mickey Kantor sat down for real business Thursday [22 September] in search of a breakthrough in the long-running dispute over Japan's government procurement practices.

The meeting, a one-on-one session between the two chief negotiators, came after President Bill Clinton warned that he will consider "remedies" under U.S. trade laws if there is no agreement by the end of the month.

Officials from both sides kept a tight lid on what went behind the closed doors in Thursday's late-afternoon session between Kono and Kantor, the two chief protagonists in the latest trade spat between the two allies.

"They discussed a certain proposal" was all a Japanese official involved in the trade talks would say in a briefing to reporters Thursday.

Kono, looking taunt and unsmiling after emerging from the session with Kantor, was reticent.

A gang of reporters bombarded him with a volley of questions whether he was making any headway in his talks with Kantor, to which Kono responded with complete silence.

The only message Kono parted was: "We will continue (our talks) tomorrow."

Lower-level officials were equally unhelpful in throwing light on the secrecy-shrouded trade talks, all held inside the pre-World War II building that houses the office of the U.S. Trade Representatives.

Whether that "certain proposal" originate from the U.S. side or from the Japanese side, a reporter wanted to know at a news briefing the Japanese Foreign Ministry staged for Japanese reporters traveling with Kono. [sentence as received] "This is something I can't comment on," the briefer said.

The official, however, conceded that the second round of talks Thursday between Kono and Kantor focused exclusively on government procurement practices for medical and telecommunications products, one of the four Japanese business sectors under negotiations in the so-called "framework" trade talks.

That was a clear departure from Wednesday's opening session between Kono and Kantor, a feeling-out session that officials covered a "wide range of topics."

Despite all the secrecy surrounding the negotiations in Washington, Japanese Government sources have suggested that the two sides are close to a deal in government procurement—and in insurance—than the other two sectors—autos and auto parts and flat glass.

A breakthrough in the government procurement area would at least avert the so-called "Chapter Seven" sanctions that have been hanging over Japan since last April.

Sept. 30 is also the deadline for another unilateral U.S. trade action known as "Super 301," another piece of sanctions-armed trade law Clinton restored in March.

Meeting Kono at the Oval Office Thursday morning, Clinton served notice that Washington is ready to strike with its "Chapter Seven" and "Super 301" trade weapons.

"The President emphasized that unless agreements are reached under the framework initiative by the Sept. 30 deadline, he will have to consider remedies under U.S. trade laws," the White House said in a statement summarizing Clinton's meeting with Kono.

Kono Said To Back Revised U.S. Nuclear Strategy

OW2309063994 Tokyo NHK General Television Network in Japanese 0300 GMT 23 Sep 94

[Announcer-read report; from "NHK News" program]

[Excerpts] On 22 September, the U.S. Government disclosed a 10-year plan to review its nuclear policy in the post-Cold War era. At a news conference that day, Defense Secretary William Perry said that the United States took seriously a delay in the reduction of nuclear weapons in Russia and other former Soviet republics, and it planned to conclude no new treaties for the time being that call for reducing more nuclear weapons than the amount stipulated in the already-concluded Strategic Arms Reduction Treaty II [START II]. According to Perry, the 10-year plan proposes using B-1 strategic airplanes for conventional weapons. It also proposes not loading nuclear weapons on aircraft carriers and other vessels, excluding submarines, from now on. [passage omitted on details of START II]

Concerning this report, Foreign Minister Yohei Kono, who is currently visiting the United States, issued a statement saying that as far as Japan is concerned, the government supports the U.S. stance on working for further promotion of nuclear disarmament in the post-Cold War international environment.

U.S. Government Urged To Resist 'Pressure'

OW2309072194 Tokyo MAINICHI SHIMBUN in Japanese 22 Sep 94 Morning Edition p 9

[Text] On 21 September, the Japan Automobile Manufacturers Association issued a statement in the United States asking the U.S. Government not to give in to political pressure on the part of the Big Three (the three major automakers) in the United States with regard to the stalled Japan-U.S. economic framework talks on auto and auto parts.

The statement claims that the Big Three is pressuring the Clinton administration to adopt a protectionist policy even though there is no evidence that Japan is unfair in its auto and auto parts trade.

Ota Continues To Criticize DFAA Head's Remarks

OW2309050294 Naha RYUKYU SHIMPO in Japanese 21 Sep 94 Morning Edition p 1

[Text] Noboru Hoshuyama, director general of the Defense Facilities Administration Agency (DFAA), stated in an interview with a reporter, "Okinawa is strategically in an extremely important location. I want a change in direction toward coexistence with the U.S. military bases." In a press conference at the governor's office on 20 September, Governor Ota made a comment condemning the director general for what has become known as the "Hoshuyama Remark," saying, "It is an improper statement which shows a lack of concern for

the feelings of the prefecture's residents and the reality that Okinawa is overcrowded with military bases, as well as meddles in prefectoral policy." At the same time he expressed strong disagreement with the "extremely regrettable" remark, and stated, "I expect a serious response to be taken by the government and a sincere apology from the director general himself."

This morning, the governor called on Kozo Igarashi, chief cabinet secretary, at the prime minister's official residence and voiced his objections to Hoshuyama's statement, seeking "a sincere apology." Igarashi responded by saying, "The Director General's remark did not show sufficient regard for the residents of Okinawa. On behalf of the government, we want to make sure that a remark like this is not repeated a second time."

Following his return to Okinawa, Governor Ota, who was interviewed at 1800 hours in the prefectoral offices concerning his protest and demand, criticized the director general's statement by saying the following: "The attitude of the DFAA's director general, who is charged with the responsibility of facilitating a resolution of the bases problem, is truly unfortunate. He shows absolutely no understanding of the historical background of the bases on Okinawa or, in the 50 years since the war, the anguish at the extent of the damage caused by the bases to the residents of the prefecture."

When asked in the interview what he meant by demanding "serious action to be taken by the government and a sincere apology from the director general himself," he replied, "I am not able to pursue this any further. I would just appreciate an apology from the director general."

Governor Ota also said, "At the time of mandatory expropriation of military reservations (also known as The 12 Year Mandatory Expropriation) three or four years ago, the then director general said that he took into full account the prefecture's perspective and wanted to do what was best for the country, as well. However, a liaison committee of eleven ministries and agencies which was organized at that time is not producing any results." Ota also criticized the government's response at that time and said, "I want serious action to be taken by a liaison conference of three ministries and agencies." [not further identified]

U.S. Said Warned of Risks in Sending SDF to Goma

OW2309084494 Tokyo ASAHI SHIMBUN in Japanese 22 Sep 94 Morning Edition p 1

[By correspondent Iryo Kimura]

[Text] Washington, 21 Sep—In relation to the Self-Defense Forces [SDF] troops' refugee relief operations in Rwanda, the U.S. Department of Defense reportedly warned the Japanese Government that the security conditions in Goma, Zaire, which will be the SDF's base of

operations, are poor. Japan should reconsider the troop dispatch plan including possible suspension of the plan itself." This was learned on 21 September.

Sources of both the Japanese and U.S. Governments said that as a result of the "warning" from the United States, the Defense Agency reviewed the plan early this month, and there were views expressing concern about the security problem. But the Japanese Government on 13 September decided it should send the SDF troops to Zaire and other countries adjacent to Rwanda. An advance mission has since been sent, and the main component of a Ground SDF unit is now due to leave on 30 September. As such, it is likely that the Japanese Government's judgment on the issue of "ensuring safety" of the personnel will be questioned.

The Japanese Government early on requested the United States to provide U.S. armed forces' C-5 transport planes to help ship to Goma the SDF's big construction equipment for use in local areas, but the U.S. Department of Defense was reluctant to cooperate and called on Japan to reconsider the location of the troops, saying: "Conditions of the landing strip at a local airport there are bad, presenting problems in landing."

But according to the sources, the major reason for the U.S. reluctance to provide transportation support to Japan was because while there were more than 20,000 former [Rwandan] Government troops in the refugee camps in Goma adjacent to the border with Rwanda, efforts to disarm them were making no progress, and the United States could not be sure of the security for the personnel.

U.S. Defense Department officials are said to have informally warned the Japanese Government to be cautious in its action, even possibly abandoning the dispatch plan, saying: "It is dangerous for Japan's SDF troops to conduct relief operations in the Goma area—particularly when they are equipped with only limited fire arms. There can be unpredictable situations like violence by the former government troops who have mingled with the crowd of refugees."

A ranking policy-related official of the U.S. Defense Department even intended to send a letter to the Japanese Government asking it to "suspend the dispatch plan" by noting the worsening security conditions in the area. He gave up his intention of sending the letter because he thought such an act of cautioning the Japanese Government could be regarded as an act of "interfering in domestic affairs."

Meanwhile, a high-ranking official of the Japanese Defense Agency commented: "Information on the local area's security conditions is very important for the Defense Agency, and we are collecting it from such countries as the United States, France, and Belgium to study it. We have received advice from the United States relating to the troops' preparedness on the assumption

that the troops will be dispatched, but have never received any words recommending suspension of the dispatch plan itself.

Murayama Seeks Public Understanding on Tax Reform

OW2209133594 Tokyo KYODO in English 1319 GMT
22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—Prime Minister Tomiichi Murayama on Thursday [22 September] sought public understanding of a comprehensive tax system reform plan that will hike the 3 percent consumption tax to 5 percent in April 1997.

"I hope the public will understand our conclusion," the premier said at a news conference after the cabinet gave the final go-ahead to the reform plan.

On the decision to instate the new 5 percent consumption tax hike under a single package of reform bills with the multiyear tax cuts, he said it was based on the notion it will be good for the nation's overall fiscal and economic situation to decide on the ratio of the hike in the value-added tax.

Murayama's Social Democratic Party (SDP), a partner of the tripartite coalition government, had staunchly opposed the plan to decide on the future consumption tax rate simultaneously with the cuts in income and residential taxes.

But the party finally made a concession earlier Thursday on the question of the tax hike rate in return for a concrete plan to allocate a portion of tax revenue to public welfare services.

Murayama, Japan's first socialist prime minister in nearly half a century, also expressed determination to press ahead with deregulation as part of efforts to reduce government spending.

The reform plan is intended to raise the currently 3 percent consumption tax to 5 percent in April 1997 while leaving a time lag of three years after the already implemented 6.2 trillion yen in tax cuts, including 5.5 trillion yen in income and residential taxes, initially legislated only for this year.

It includes a provision that allows a change in the timing and scale of the tax hike before implementation in line with welfare funding needs, the effects of administrative and fiscal overhauls and economic trends.

Asked about the possibility of the consumption tax being raised above 5 percent, Murayama said only "we will seriously consider the matter" in line with the government's efforts to further adjust the balance between direct and indirect taxes.

On the method of cutting taxes, however, the leaders of the ruling coalition decided to carry out the 5.5 trillion yen in cuts in two stages instead of the uniform 20 percent cut used this year.

The two-tier method involves cutting 2 trillion yen through a uniform levy rate cut as an economic stimulus and cutting 3.5 trillion yen through a progressive levy system that will be a permanent scheme.

The government will submit its reform package to the Diet in its extraordinary session set to open Sept. 30 so the program will be acted upon by the year-end.

Asked about the SDP's departure from its past opposition to the consumption tax, Murayama said he made the decision to accept the government tax reform plan in line with his party's "truly serious" discussion.

"I made the decision as the nation's chief executive," he said.

The SDP attempted to scrap a bill to introduce the 3 percent consumption tax in a Diet session in the fall of 1988. Despite the party's efforts, however, the legislation won Diet approval and the value-added tax took effect in April 1989.

Elaborates on Reform Program

OW2209144394 Tokyo NHK General Television Network in Japanese 1053 GMT 22 Sep 94

[Statement by Prime Minister Tomiichi Murayama in a news conference held at the prime minister's official residence in Tokyo—live]

[Text] This evening leaders of the ruling party and the government held a meeting and the cabinet held an extraordinary session to decide on the outline for tax system reform.

Taxes are an issue that concern all people and they are a foundation for various works that the state carries out. I, therefore, have cautiously studied ways to reform the tax system, while paying attention to and valuing the feelings of taxpayers. The ruling parties have held full debates on reforming the tax system. They have continued to discuss ways to very cautiously reform the tax system. The government made a final decision on the reform of the tax system at the end of these discussions, and I would like to solicit the people's understanding of that point.

To explain the purpose of reforming the tax system, first, middle-class wage earners feel strongly burdened with heavy taxes under the present framework of income taxes, and it is necessary to rid them of such feelings. It is also necessary to think of creating a tax system under which their work will be rewarded. At the same time, the government needs to continue to take perfect measures to stimulate the economy. For these purposes, the government decided to cut a total of 5.5 trillion yen in income and residential taxes.

To explain the breakdown of the tax cuts, the government decided to lower permanently the current income tax rate of 30 percent to a 20 percent rate for middle-income wage earners, with the ultimate aim of capping

the rate at 10-20 percent during their lifetime. I think that the tax burden shouldered by young people will increase considerably. At the same time, benefits of the reformed tax system are relatively modest for low-income people, and the government decided to give consideration to those low-income people by raising the minimum taxable income. Cuts in income tax total 3.5 trillion yen. At the same time, as part of the measures to stimulate the economy, the government decided to cut 2 trillion yen in taxes.

With these tax cuts, we decided to raise the consumption tax to 5 percent beginning in April 1997, on the condition that, among other things, further efforts will be made to implement administrative reforms and that tax cuts will be implemented ahead of the tax hike. The government set some conditions when it decided to raise the consumption tax. One of the conditions is to resolve the problem of the *ekizei* [defects of the consumption tax system, where some business firms can profit thanks to a simplified taxation procedure] which has been pointed out as one of the problems involving the consumption tax. As another condition, the level of simplified taxation is lowered from the current level of 400 million yen to a level of 200 million yen. With growing demands for decentralization, local autonomous governments are to take on the duty of promoting welfare and the government decided to create a local consumption tax system in a bid to ensure independent financial resources for those local autonomous governments.

This means that 1 percent of the 5 percent consumption tax will be allocated to local governments. Reflecting that, we decided on the tax reform outline. We are aware that financial sources have to be secured for welfare service in the future; it is particularly necessary to carry out tax exemptions for the elderly under nursing care. We will allocate 500 billion yen for social security from consumption tax revenues. A 5 percent consumption tax will be introduced from 1997. Since it is difficult to raise 500 billion yen only in 1997, we plan to raise 100 billion yen in 1995, 200 billion yen by 1996, and 400 billion yen by 1997. Since an increase in the consumption tax rate will cause a slight hike in the price of commodities, a 100 billion yen subsidy will be raised to make up for the rise in commodity prices. Therefore, 500 billion yen will be raised. However, there are many people who cannot enjoy the benevolent influence of tax cuts; for example, old-age pensioners, disabled persons on welfare, those who live in a center for the aged, or the aged who are bedridden and cannot live without nursing care. Giving due regard to those people, we decided to give them a one-time allowance of 10,000 to 30,000 yen. In making a decision to raise the consumption tax rate, we listened to a voice saying that the consumption tax rate should be decided after carrying out administrative reform and a review of the overall taxation system while hammering out the government's welfare vision for the aged people.

Today, however, the Japanese Government has 200 trillion yen in outstanding national bonds, and the

present situation is such that the government needs to secure financial resources to make up for the fiscal shortfall resulting from the tax cuts by issuing special public bonds. Under this situation, the government needs to think of ways to stimulate the economy. The ruling parties have held debates on the basis of the judgment that it is necessary to set tax rates and two goals for the government's finance and the economy. The government drew its conclusion at the end of a series of discussions, as I just said. I intend to fully explain to the people how the government drew its conclusion and then seek their understanding.

At the same time, as this is not the end, the government will do all it can to promote, among other things, administrative reform and revision of unfair taxation, including balanced taxation on income, consumption, and assets; at the same time, the government will clarify its welfare vision. After considering such matters, the government will make a comprehensive judgment prior to considering further tax hikes. I would like to solicit the people's understanding and cooperation.

Holds News Conference

OW2309025594 Tokyo NHK General Television Network in Japanese 1104 GMT 22 Sep 94

[News conference by Prime Minister Tomiichi Murayama with domestic correspondents in Tokyo—live]

[Text] [Dean of press corps] Representing the cabinet press corps, I, as dean of the press corps, would like to ask the prime minister a few questions. First, I would like to ask whether the two-tiered system of combining permanent tax cuts with a uniform levy rate cut can be considered drastic tax system reform. Next, I would like to know the reasoning behind raising the consumption tax to 5 percent. Third, I would like to know whether there may be a further hike when a review is made in the future. Last, since there is no denying that the consumption tax is unfair in that, for example, as you have just mentioned, tax-free shops can make a profit, how will you deal with such defects? I would like to ask you on these points.

[Murayama] Regarding the two-tiered method of tax cuts, let me explain the reason for this. Just as I mentioned at the beginning of my statement, the current system of income tax rates came about as a result of tax reforms made in 1986 that tried to rectify that portion involving the lower-income bracket. In the process, the tax system has become quite defective in the sense that it places the heaviest tax burden on middle-class wage earners. Even if their income should increase profusely, they have little left in their hands because the income tax rate goes up to 30 percent. This is what has been pointed out. To make the whole system fairer, it is necessary to correct this defect. This is one of the reasons for the latest tax reform. Another reason is that, as I have also mentioned, this much is not sufficient since it will

not benefit the lower-income bracket which will not be subject to this reform measure. Therefore, we have given them as much consideration as possible by raising the minimum taxable income. At the same time, we hope that doing this will help boost the economy. This should amount to a 3.5-trillion-yen tax cut. Now, since we are targetting a 5.5-trillion-yen tax cut, the remaining 2-trillion-yen cut will need to be done through a uniform levy rate cut in which income and residential taxes would be cut by 15 percent. However, to keep things fair, we devised it so that the limit would be 50,000 yen on income tax cuts and 20,000 yen on residential tax cuts, thereby distributing the benefits as fairly as possible. This is the way it is intended, so we would like to ask for your understanding.

As for the consumption tax, since it has been pointed out that there are defects, as I said earlier, we decided we need to rectify these defects, so we made corrections on those points I already mentioned. In particular, the tax-free shops with sales below 30 million yen are doing business that is mostly a family affair. So, we left that portion untouched. We did not want them to be burdened with unnecessary paperwork. We listened to what they had to say and gave them due consideration. We would like you to understand this point.

You asked whether we consider the two-tiered method to be drastic tax reform and whether we plan to raise the consumption tax in the future. As I have been saying, this is, in a way, part of a larger tax reform plan which we will carry out to a certain extent this year. At the same time, as I have mentioned earlier, we have included a provision to conduct a review in the future, making a comprehensive judgment by taking into account administrative reform and further tax reform. Therefore, I would like for you to understand that this whole thing is an ongoing process.

[Dean of press corps] I will ask the next question. Former Prime Minister Morihiro Hosokawa launched the concept of a national welfare tax during a news conference in February this year. The tax rate at that time was 7 percent. To the general public, however, the recent decision and that of Hosokawa may appear the same as far as the consumption tax hike is concerned. What I would like to ask you again is how do you think the so-called national welfare tax concept differs from your decision on a consumption tax hike? The Social Democratic Party of Japan [SDPJ]—you are chairman of the party—had been in the forefront consistently in opposing the introduction of the consumption tax or sales tax. To the general public, it appears that there is a considerable gap between the SDPJ's moves against the introduction of the consumption tax and your recent decision. In other words, some people may say that your decision to raise the consumption tax is a breach of faith. What do you think of these points? Also, it was said that bureaucrats played a leadership role, or Hosokawa did what the Finance Ministry told him to do, when he introduced the concept of a national welfare tax. Would

you tell us if you were able to smoothly play the political leadership role in making the decision this time?

[Murayama] Your first question is how the recent decision differs from the concept of a national welfare tax. Well, there are several differences. The first difference is that the concept of the national welfare tax was announced out of the blue. The SDPJ was in the former coalition administration at that time, and I attended meetings on several occasions. An announcement was made on raising the tax rate to 7 percent. That was an abrupt decision. At that time, I said that a decision should be made by going through the steps needed to gain the people's understanding. On the other hand, the tax reform council of the current ruling parties held 19 meetings between 19 July and 22 September. Coordination was made after thoroughly listening to the opinions of various people, including the opposition parties. We also exchanged opinions with each [economic] circle. As I said earlier, after going through all these procedures, we very carefully studied opinions from all sides. In this sense, I think there is a big difference between the two.

Another point is that the recent amount of increase is half the national welfare tax rate. The national welfare tax was 7 percent, which is 4 percent more than the current consumption tax. This time, the increase rate is 2 percent. This is half of the previous concept.

The third point is that, as has been pointed out, we revised the contents of the consumption tax as well. This is another difference. Also, while people are calling for decentralization of government power, we decided, from the viewpoint of establishing an independent tax, to allocate 1 percent of the consumption tax to local autonomies, who are in charge of welfare matters, as an independently collected tax. I think this is very big difference.

Regarding the SDPJ, when we established the current coalition we agreed that we would construct a tax system which is balanced in terms of income, assets, and consumption. We also agreed that we would submit a comprehensive reform plan in which plans, including a plan to alter and abolish the current consumption tax and one to increase indirect tax rates are incorporated. In the agreement, we used the phrase including a plan to alter and abolish. As I have been saying, from the viewpoint of abiding by this agreement we made the bitter decision to revise the consumption tax. As you all know, we had truly serious discussions within the SDPJ at ministerial meetings and dietmen's plenary meetings. After having discussions, we made the responsible decision as the party in power.

[Dean of press corps] What about the question on bureaucrats' leadership?

[Murayama] Well, the Finance Ministry probably wanted to raise the consumption tax a little more. As I have been saying, I think the ministry was saying that they did not have enough revenue sources to allocate

such a huge amount of money to welfare plans, including nursing services for the aged. At the ruling parties' meetings, we talked about the need to give consideration to those who do not benefit from the tax reductions. Tax cuts have adverse effects. Therefore, the ruling parties, after having discussions, ultimately decided that it is necessary to give thorough consideration to aged people. In this sense, I do not think the decision was made under bureaucratic leadership.

[Dean of press corps] Let me ask one more question regarding the temporary benefit to pension recipients and other people. Indeed, this may be a severe view, but some people are saying that this is the welfare of giving money freely. Can you comment on this point? In my earlier question, I forgot to ask you about the reason the consumption rate has to be 5 percent. Will you explain the reason, please?

[Murayama] As I stated at the beginning, the aim of this measure is to ensure fairness in the tax burden as much as possible—by correcting the distorted structure of the income tax. The consumption rate increase has been determined with this aim in mind. If the level of minimum taxable income is raised on top of that, then the tax cut total will come to about 3.57 trillion yen. Besides, it has become more or less a commitment that the tax cuts [for next fiscal year] should be continued at this year's level. Hence, 2 trillion yen—which remains after subtracting 3.57 trillion yen from a total of 5.5 trillion yen—will become the part for income tax reductions.

Given the condition that a total of 5.5 trillion yen in taxes needs to be cut, it has become inevitable that the consumption tax needs to be raised to 5 percent. That is the story.

[Dean of Press Corps] My question may sound spiteful. Mr. Hosokawa wanted to raise the consumption tax rate to 7 percent, while the current rate is 3 percent. Seven plus three divided by two comes to five. Some charge that this middle point has been agreed on in political bargainings. What is your frank comment on such view?

[Murayama] As I said earlier, we never do such an absurd thing as sum-and-divide-by-two in deciding on a tax rate. What we are trying to do is to shore up the economy by revising the present tax system. We have studied what we should do now from all angles, and as a result of the studies—as a result, I repeat—we have come to decide that we should implement tax reductions for the middle-income wage earners who are most heavily burdened by taxes. But doing that alone would not be enough to remove the overall unfairness. So we have concluded that we should take this opportunity to raise the level of the minimum taxable income as a way of easing the burden on low-income bracket people. As seen in this, the figure of 5 percent has been arrived as a result of calculations. Once again I would like you to know that the number has been arrived at as a result of such calculations.

[Dean of Press Corps] I am done with my questions. Now questions from individual reporters will begin.

[Unidentified reporter] I would like to ask about the clause on review [regarding the consumption tax rate]. Is it possible that the rate will be raised to more than 5 percent—as a result of such a review?

[Murayama] We need to implement a thorough administrative reform, and as far as the overall tax structure is concerned, it is important that taxes be levied in a balanced manner in three areas—the income, consumption, and assets. We should further review taxes assets from such a perspective. If possible, we should move toward adopting the so-called comprehensive taxation system. It is very important for the government to determine taxable objects accurately to be able to impose taxes in a fair manner. I would like to note that we need to review all this in a serious manner. That is one point.

Another point to note is that there is no question that the time of an aged population is fast approaching. We will need more money in a society of the aged for welfare programs. In conducting its review the government will have to take this into account in coming to a conclusion. And yet the government will have to make all the possible efforts to live and continue with the current tax rates. Therefore I think it would be inappropriate for the government to make a prediction on a possible raise in the future in replying to your question.

[Unidentified reporter] Prime Minister, today you talked about a tax reform which will be kind to taxpayers, and also about administrative reform. But according to the way the people look at the matter, the outline announced by the government recently is too abstract. And today, even if you talk about doing a thorough reform, it is not really convincing to the people. I would like to note that the three ruling parties have agreed that they should go for reform after gaining the understanding of the people on the matter. Now, in regard to this gaining of understanding of the people, do you think you have gained the understanding of the people? How have you done that? I know the tax commission and the financial commission have been involved in discussions, but ... [changes thought] I would like to have an explanation on that.

[Murayama] The ruling parties' tax research committee has listened to views of people of various circles and quarters. The process of deliberation on the matter has been quite long, and reports have been made on it. I believe we have gained a degree of understanding from the people. If you ask whether that is complete and good enough, I might have to admit some shortcomings. But I believe the best has been done in this regard as well. [NHK ends coverage of the apparently still on-going news conference]

Reaction to Tax Reform Package Reported

Expected To Encourage U.S.

OW2209170794 Tokyo KYODO in English 1625 GMT
22 Sep 94

[By Kohei Murayama]

[Text] Tokyo, Sept. 23 KYODO—Japan is anticipating a "kamikaze" wind, or at least a hint of a fresh breeze, to blow through its tough trade negotiations with the United States after the government just managed to agree on a crucial tax reform package Thursday [22 September].

Japanese leaders made the tax breakthrough after walking a tightrope through this week's prolonged last-ditch debates amid a looming deadline to complete all the legislative procedures to make the reform bills into law by the year-end, as promised to Japan's global trading partners.

Technically, the government must submit its reform package in the early stage of the extraordinary Diet session starting Sept. 30 to pass it by the year-end.

The news was immediately conveyed as a "fair wind" to Foreign Minister Yohei Kono who is now in Washington for crucial negotiations on the bilateral "framework" trade talks ahead of the Sept. 30 U.S. deadline for possible sanctions, said a government official, requesting anonymity.

But the U.S., reacting rather coolly to the tax decision, may be preparing a little retaliatory tornado of its own if the trade talks fail to end on a positive note by the end of the month.

Kono met Thursday with U.S. President Bill Clinton. He is also holding a second round of talks with U.S. Trade Representative Mickey Kantor.

Finance Minister Masayoshi Takemura is also relieved with the last-minute decision, presenting him with the ideal gift for an expected meeting of finance ministers and central bankers of the Group of Seven (G-7) major nations in Madrid on Oct. 1.

"We wanted to prepare a reform package by mid-October to pass at the Diet session to fulfill the promise" made at the G-7 summit in Naples, Italy, in July, Takemura said after the tax reform platform was endorsed at an extraordinary cabinet meeting.

But though the tax reform decision was more good news than bad for Washington, U.S. Ambassador to Japan Walter Mondale described it as generally positive but not perfect. He made the comments during talks with Shoichiro Toyoda, chairman of the Federation of Economic Organizations, a federation official said.

The centerpiece of the tax reform is to raise the current 3 percent consumption tax to 5 percent under a single legislation with 5.5 trillion yen in national income and residence tax cuts.

The government kept its promise of continuing multi-year tax cuts on the same scale of the 5.5 trillion yen cuts already implemented this April as a single-year measure.

Japan's promise for "permanent" measures is seen as having been watered-down, however, since the tax cuts will be implemented through a two-tiered approach of cutting only 3.5 trillion yen through overall reform in the progressive levy rate and trimming 2 trillion yen through a uniform 15 percent cut as a temporary economic stimulus.

This year's single-year tax break is being implemented through the uniform method.

The government also decided to add a provision for reconsidering whether to keep on with the uniform portion of the cuts in fiscal 1997, depending on economic circumstances.

A provision is also included for reviewing the scale and timing of the tax hike before it is implemented, but Takemura and many other leaders said the choice could only be whether to keep the rate at the planned 5 percent or raise it further.

Takemura said that lowering the tax is unlikely and that cutting spending through administrative and fiscal reforms is the key to preventing the tax rate from being raised further.

On the other hand, Japanese leaders succumbed to U.S. pressure over the tax hike—Japan's commitment to a three-year time lag and a limited increase to avoid undermining consumption.

The leaders rejected the two-year interval initially included in a draft reform package formulated by a coalition tax project team, and pushed through the 5 percent consumption tax instead of a 7 percent plan favored by Finance Ministry mandarins.

During a three-day visit to Tokyo until Tuesday in an apparent last-minute canvassing, U.S. Treasury Undersecretary for International Affairs Lawrence Summers pressed Takemura and other Japanese leaders to implement tax reform led by a three-year interval, informed sources said.

Reacting quickly to the three-year measure agreed on later Tuesday by the leaders of the three-party coalition, Treasury Secretary Lloyd Bentsen issued a statement in Washington welcoming the decision.

"I am pleased that the Japanese authorities have decided to delay their planned increase in consumption taxes until April 1997 and to make permanent cuts in income taxes," he said.

Bentsen said the delay in raising the consumption tax "will continue the stimulus" of Japan's economy which he said "needs to gather momentum" for a strong, domestic demand-driven recovery to reduce its trade surplus.

But Takemura may find himself unguarded at the G-7 meeting if overly encouraged with Bentsen's comments.

In another message to Japan, Summers said in a Tokyo speech that Japan must not change its fiscal stance to "neutral or contraction," and monetary actions must be taken, if necessary, as its economy is still far from achieving strong domestic demand-led growth.

Tax Panel Chief Offers Praise

*OW2209145294 Tokyo KYODO in English 1440 GMT
22 Sep 94*

[Text] Tokyo, Sept. 22 KYODO—The head of a governmental tax panel on Thursday [22 September] praised the government's decision to handle income tax cuts and a consumption tax hike in a single package of tax reform bills.

Kan Kato, chairman of the Tax Commission, an advisory body to the prime minister, said at a press conference, "I'm relieved and impressed with the government decision, which is almost in line with our recommendations."

At an extraordinary cabinet session, the government of Prime Minister Tomiichi Murayama approved a tax reform framework agreed upon by the ruling coalition parties.

The package features income tax cuts under a two-tier method consisting of permanent tax system reform plus two more years of uniform levy rate cuts, and a conditional hike in the current 3 percent consumption tax to 5 percent in April 1997.

"The most important thing is to deal with the tax cuts and hike in one package," Kato said, admitting the inevitability of a three-year grace period for the consumption tax hike and fixed-rate tax cuts in fiscal 1996 as measures to prop up the economy.

As remaining tasks, Kato cited the reasonable estimation of future expenditures for social welfare, as well as administrative and fiscal reforms.

People's understanding of the tax reform depends on the government's efforts, Kato said.

If the government can continue uniform tax cuts beyond fiscal 1996 as a result of administrative and fiscal overhauls, it would be the most desirable scenario, he said. But he noted administrative reform is difficult and time-consuming work.

Opposition Criticizes Package

*OW2209175494 Tokyo KYODO in English 1547 GMT
22 Sep 94*

[Text] Tokyo, Sept. 22 KYODO—Opposition parties criticized the ruling coalition's tax reform package

Thursday [22 September], saying it overlooks the Diet's decision to carry out comprehensive reform of the current tax system.

The opposition camp said debate on the issue under the administration of Prime Minister Tomiichi Murayama focused on patching up differences between the Liberal Democratic Party (LDP) and the Social Democratic Party (SDP), and overlooked views concerning the tax burden on an aging society.

The government decided on a scheme Thursday centering on an increase in the current 3 percent consumption tax to 5 percent in April 1997 in single legislation that ties in with a multiyear 5.5 trillion yen cut in national income and local residence taxes. However, opposition members in charge of policymaking said the two-tier tax cut based on a tax system change and implementation of a one-time tax curtailment goes only halfway and is bad for economic recovery and the increasingly aging population.

Hajima Funada, senior member of main opposition Shinseito, said the package cannot assure financial resources to prepare for an aging society.

Seiichi Ota of the Liberal Party criticized the plan, saying that measures to rectify the unequal tax system are vague.

Businesses Have Mixed Reaction

OW2209134294 Tokyo KYODO in English 1242 GMT
22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—The business community's reaction to the tax reform package agreed upon by the ruling coalition Thursday [22 September] ranged from general welcome to disappointment.

"I truly appreciate the decision to implement tax cuts in a package with the tax increase," said Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren).

He was referring to the much-debated decision to include a future tax increase in a single package with the ongoing tax cuts, a measure many business leaders had been pressing for.

On Thursday, the ruling coalition parties agreed on a tax reform package under which a current 5.5 trillion yen annual cut in income and residence taxes would be extended through 1996, and the government endorsed the package.

It also calls for raising the consumption tax rate to 5 percent in April 1997 from the current 3 percent.

Masaru Hayami, chairman of the Japan Association of Corporate Executives (Keizai Doyukai), also expressed his appreciation for the decision.

But Hayami said he cannot help but feel the tax reform package is a half-baked effort as a result of the compromises made between the parties involved to maintain their unity.

Takeshi Nagano, president of the Japan Federation of Employers Associations (Nikkeiren), expressed his regret over the lack of a comprehensive viewpoint in hammering out the tax reform package with a view to rectifying the imbalance between direct and indirect taxes in revenues.

"Many tax issues such as unfairness in taxation and the ratio of indirect taxes to direct taxes should have been reviewed to substantially reform the tax system from various viewpoints," he said.

Tatsuro Toyoda, president of Toyota Motor Corp., welcomed the extension of tax cuts into next year. "We can expect the continuation of tax cuts to have positive effects on the economy," he said.

Hisashi Kaneko, president of NEC Corp., said the increase in the consumption tax rate to 5 percent is reasonable. "This will not cause any adverse effects on personal computer sales," he said.

Two-Tiered Reform Criticized

942A0717A Tokyo NIHON KEIZAI SHIMBUN in
Japanese 16 Sep 94 p 2

[Editorial: "Two-Tier Tax Cut Does Not Constitute Tax Reform"]

[Text] It is said that the government and ruling coalition parties have agreed to a so-called "two-tiered" tax revision, which is represented by a tax cut for the following and subsequent years consisting of a permanent tax cut moderating the progressive tax rates and a fixed-rate cut similar to that implemented this year, and to offset with a hike in consumption taxes only that portion which represents a permanent tax cut. Such changes are an emasculation of tax reform.

As we have indicated previously, there is no doctrine that supports the two-tiered approach. The approach can only be classified as a way to make it appear that the pending consumption tax hike is minor. Such an approach merely undermines tax reform.

It need not be mentioned that the pending tax reform was supposed to provide lower income tax rates to those above the middle-income tax bracket, who suffer from a heavy tax burden, and to simultaneously hike consumption taxes, which provide a broader tax base, as a way to build a tax system that is more viable in terms of supporting an aging society.

A consensus among tax experts is that any alleviation in income taxes based on the progressive rate structure which supposedly has the greatest impact in advanced nations requires a tax cut of about 6 trillion yen. There is

no doubt that this year's special fixed-rate tax reduction of more than 5.4 trillion yen encompasses this viewpoint.

However, the two-tiered approach significantly reduces the impact of the tax cut, and it eliminates almost all significance for tax reform. Moreover, when the consumption tax is increased, the fixed-rate portion of the income tax cut will be discontinued, hitting the public with a double blow in the form of hikes in both consumption tax and income tax.

The two-tiered approach was created out of the desire to minimize the consumption tax hike, but it is said that a new rate of 5 percent is being considered, a two-point hike. The basis for this change lacks logic. Considering that economic growth rates should be running smoothly at the time of the consumption tax increase, a two-point hike should result in a substantial net gain in tax revenues based on the assumption that the scale of tax increases will far exceed the scale of tax reductions.

If, as advocated by this newspaper, the "neutral tax revenue" approach calling for permanent income tax cuts of 6 trillion yen and offsetting consumption tax hikes were to be adopted, there is the strong possibility that a consumption tax hike of about two points will be adequate.

An aspect of ruling party debate about which we are dissatisfied is that facet where it appears that it is not very enthusiastic about resolving issues concerning unfair taxes and administrative and fiscal reform. It appears that so-called "tax benefit" countermeasures relative to consumption taxes is being reviewed from the standpoint of graduated tax relief and simplified taxation systems, but detailed studies should be conducted on converting current records-based accounting to vendor invoice-based accounting systems in calculating taxes due.

Further, basic work should be completed on a taxpayer identification system for use in establishing a combined income taxation system to include asset income such as interest and dividends. Such measures render a full-scale income tax reduction indispensable. The reason is that if a combined income taxation system were to be implemented under the current sharply progressive income tax rates, we could very well see the transfer of savings deposits to overseas institutions.

With the exception of the Sakigake [Harbinger] new party, we see little enthusiasm for administrative and fiscal reform. We would like to see the ruling coalition produce a specific plan on this issue at an early date. The public will not accept a consumption tax hike as part of the pending tax reform if the government fails to produce such a plan.

SRV Minister Backs Tokyo's Bid for UNSC Seat

*OW2209184494 Tokyo KYODO in English 1543 GMT
22 Sep 94*

[Text] Hanoi, Sept. 22 KYODO—Vietnamese Finance Minister Ho Te on Thursday [22 September] came out in

favor of Japan's bid for a permanent seat on the UN Security Council, Japanese officials said.

Ho Te told Japanese Diet member Yasumasa Narasaki that the role Japan plays in the international community is significant and the country should be given a role matching the status. Narasaki is a member of the Liberal Democratic Party, one of the three parties in the ruling coalition.

The Vietnamese finance minister also told Narasaki that Foreign Minister Nguyen Manh Cam will make an address this month at the UN General Assembly meeting that supports Japan's stance on the issue.

It is unclear, though, whether Ho Te's remarks were his own or made as a representative of the Vietnamese Government.

Japanese Foreign Minister Yohei Kono is expected to express Japan's wish to join the Security Council's permanent members currently made up of Britain, China, France, the United States and Russia at the General Assembly meeting in New York on Sept. 27.

Request for CFC Exemptions Rejected by UNEP

*OW2109132594 Tokyo KYODO in English 1311 GMT
21 Sep 94*

[Text] Tokyo, Sept. 21 KYODO—The UN Environment Program (UNEP) has refused a Japanese Government request for exemptions from an international agreement halting production of ozone-depleting chlorofluorocarbons (CFCs), Japanese Government sources said Wednesday [21 September].

CFCs are reputed to be responsible for depletion of the atmospheric ozone layer which protects the earth from the sun's harmful ultraviolet rays.

The government applied for exemptions from the agreement, known as the Montreal Protocol, to allow continued use of CFCs in showcases of the kind used to display frozen goods in shops.

Industrialized countries have agreed to the complete cessation of CFC production by 1996 and developing countries have set the date at 2006.

But the government applied for the exemptions under an "essential use" clause in the protocol which permits the use of CFCs in limited cases such as for research and health care where no other substitutes are available.

A meeting in Nairobi from Oct. 3 of countries which are signatories to the protocol will determine what uses to define as "essential."

A government source said that in July, a UNEP assessment panel studied requests for exemptions from each signatory country and drew up a report for presentation to the October meeting.

The source said the report says Japan's request for exemption cannot be described as "essential use." But a Ministry of International Trade and Industry official said the government's submission was not a formal request. The official said the government had merely informed the secretariat administering the protocol that Japan expected a shortfall in its supplies of CFCs.

"There is a possibility we will make a formal request," the official said.

The international conservation organization Greenpeace released a statement Wednesday saying the use of CFCs cannot be described as "essential" because substitutes are available.

Survey on Tokyo's Bid to Join UNSC Seat

*OW2309065494 Tokyo ASAHI SHIMBUN in Japanese
22 Sep 94 Morning Edition p 1*

[Text] ASAHI SHIMBUN conducted a nation-wide survey on both 18 and 19 September to find out people's awareness of Japan's bid to become a permanent member of the UN Security Council [UNSC]. As a result, it was learned that 69 percent of the respondents think Japan will be "required to play a military role when it becomes a permanent member of the UNSC." On gaining permanent UNSC membership, 29 percent said that they "approve of Japan becoming a permanent UNSC member even if it is required to play a military role," and 57 percent said they were "against" it. However, a question was asked as to whether they "approve or disapprove of the bid if Japan is not asked to play a military role." In response, 70 percent of the respondents answered yes, and 16 percent said no. The result of the survey shows that people's attitude regarding approval or disapproval of the bid varies significantly depending on whether Japan will be involved in military activities. Thirty-nine percent of men and 21 percent of women answered that they "approve of the bid even if Japan is asked to play a military role." Men approve of the bid more actively than women. The approval rate among men in their late 30s, 40s and 50s, in particular, exceeded 40 percent. As for the approval rate among political parties, 38 percent of Shinseito supporters said they "approve of the bid even if military activities are involved." The approval rate among those who support the Liberal Democratic Party [LDP], the Japan New Party, Sakigake [Harbinger] and Democratic Socialist Party [DSP] exceeded 30 percent. Fifty-two percent of men and 61 percent of women said that they "oppose the bid if military activities are involved."

Concerning the ideal way of Japan making an international contribution, 57 percent of the respondents answered that Japan should be involved in activities "strictly in nonmilitary areas," and 34 percent said that they did "not think so." In a survey conducted in September 1992, immediately before the dispatch of the Self-Defense Forces to Cambodia, 71 percent of people said they supported activities "strictly in nonmilitary

areas," and 20 percent said they did "not think so." The majority of people still think that "Japan should make contributions in nonmilitary areas." However, the number of people, who are sympathetic toward contributions in military areas, increased in the past two years.

The recent survey asked to what area people should attach importance when they think about Japan's bid to gain permanent UNSC membership. The respondents were asked to choose an answer from among 5 choices. Thirty-one percent of the respondents, which is the largest number, selected "through discussions among the people." Twenty-seven percent of the respondents chose "Japan's active international contribution" and 13 percent for "understanding from Asian neighbors." Only 9 percent of respondents chose "balance between military contribution and the Constitution."

MOFA Seeks Settlement on Korean Peninsula

OW2309015294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 Sep 94 Morning Edition p2

[Text] Regarding the issue of providing the DPRK (North Korea) with a light-water reactor, on 21 September the Ministry of Foreign Affairs [MOFA] disclosed its understanding that it is necessary not only to secure transparency in North Korean nuclear development, but also to ease tension, including reduction of conventional weapons, in relations between the North and the South.

A senior MOFA official said: "Five years are needed for investigation and another five for construction. There is no reason for North Korea to remain unchanged during this time. It is a matter of course for all of North Korea to change." At the same time, he also said: "It is quite out of the question to allow North Korean munitions factories to operate at full capacity by supplying them with electricity." In this way, he pointed out that in addition to settling the nuclear issue, it is necessary to reduce the level of emergency troops deployed near the 38 parallel and to improve overall relations, including the promotion of dialogue, on the Korean Peninsula prior to actually providing support to North Korea.

Tokyo Vows To Help DPRK's Reactor Program

*OW2209144894 Tokyo KYODO in English 1436 GMT
22 Sep 94*

[Text] Tokyo, Sept. 22 KYODO—Prime Minister Tomiichi Murayama sent a letter Wednesday to U.S. President Bill Clinton promising that Japan will help North Korea obtain light-water nuclear reactors, the top Japanese Government spokesman said Thursday [22 September].

The commitment would include participation in a U.S.-proposed consortium to help Pyongyang replace its graphite-moderated reactors with light-water ones, which produce less plutonium than the graphite models, Chief Cabinet Secretary Kozo Igarashi said.

The letter hailed Washington's efforts to solve problems concerning Pyongyang's suspected nuclear weapons development program and expressed support for an August framework agreement between the United States and North Korea to defuse worries about the program, Igarashi said.

Tokyo is prepared to cooperate with international assistance to provide light-water reactors on condition that the nuclear problem is resolved, the spokesman quoted the letter.

U.S. Ambassador-at-large Robert Gallucci, who heads a U.S. delegation for high-level nuclear talks with North Korea beginning Friday, visited Japan earlier this month and told Japanese Foreign Minister Yohei Kono that cooperation between Japan, the U.S. and South Korea is indispensable to assist in the light-water reactor program.

In a related development, a senior Foreign Ministry official said Thursday that it is impossible for Japan to pay a half of the funds needed to give the modern reactors to North Korea. An estimated 4 billion dollars is needed for the program.

The official said Japan, the U.S., South Korea, China, Germany and international organizations including the World Bank are likely to join the proposed consortium.

Opportunities for Japanese

OW2309070394 Tokyo SHUKAN DAIYAMONDO in Japanese 24 Sep 94 p 16

[Text] The nuclear issue centered around the Democratic People's Republic of Korea (North Korea) is about to be resolved. And an influential Japanese politician seems to be actively moving behind the scenes. Before I go into the details, I first want to explain the current "North [Korean] nuclear" situation.

On 10 September, following up on last month's agreement, the United States and North Korea began a meeting of specialists in Berlin to discuss the conversion [of North Korean nuclear reactors] to light-water reactors. The single focus of this meeting was determining which light-water reactor option should be selected.

Three alternatives have been mentioned so far; the Russian, German, and South Korean types. And when the decision on one of these options is made, the question of construction funds for the light-water reactors, which some estimate at 200 billion yen per reactor, will come up. Who will carry the burden? The countries concerned—the United States, South Korea and North Korea—once again assume that there will be "Japanese Money." But Japan had already [before the reactor issue arose] conceived of a funding plan in the form of a kind of "fund" for North Korea. That was the "Korean Peninsula Development Fund" concept which some elements of the mass media have reported. And the person who created this plan is former Prime Minister Noboru Takeshita.

According to the initial plan, the six participating countries in this concept would be Japan, the United States, China, Russia, South Korea, and North Korea. The purpose of contributing funds would be for the development of North Korea's special economic district along the Tuman River. Japan, however, was to provide the bulk of the funds...

Subsequently, Japan to raise the light-water reactor construction funds by utilizing this basic pre-existing concept. But this concept suddenly changed at the request of the U.S. "The United States asked for the participation of the G-7 counties in this fund. Japan agreed to the request, and initially an agreement on the concept was concluded between the United States and Japan." (according to a concerned LDP member)

After this U.S.-Japan agreement, the provision of funds for North Korea accelerated quickly toward realization. "In the LDP, Policy Research Council Chairman Kato (Miyazawa Faction) is working on unified party support for the Takeshita Plan. Further, Diet member Yukihiko Ikeda (Miyazawa Faction) is expected in the near future to become the vice chairman of the Japan-South Korea Parliamentarians Union, of which former Prime Minister Takeshita is the chairman. Last June, Diet Member Taku Yamazaki (Watanabe Faction) visited North Korea and met with Secretary Kim Yong-son, an influential man in North Korea. In other words, the LDP is in the midst of making preliminary moves to monopolize vested rights on the Korean Peninsula." (according to a senior LDP official)

Centering on this "last great money-making opportunity" in East Asia, the LDP is making an all-out effort. Although they have slipped away from their position of one party control, their ability to sniff out possible vested rights still seems superior to that of others.

The economic community, which in the past searched for money-making opportunities hand-in-hand with the LDP, is not quiet either. Among its members, the large construction companies and trading companies, which are sharp-eyed in spotting such opportunities, have already started making moves. Some enterprises are said to have begun an active approach to former Prime Minister Takeshita. There must be a "treasure mountain" to be exploited.

Tokyo's Assistance in Middle East Described

OW2309065794 Tokyo YOMIURI SHIMBUN in Japanese 23 Sep 94 Morning Edition p 2

[Text] On 21 September, the government decided to give full-scale assistance to environmental and tourism development programs in the Middle East, where the peace process is underway. It also plans to promote exchanges of top leaders—it will invite Israeli Prime Minister Yitzhaq Rabin to visit Japan in December and Egyptian President Muhammed Husni Mubarak to visit in March 1995.

In its aid program, Japan will emphasize environmental assistance through multilateral talks with countries concerned. A council consisting of about 30 countries concerned was established in 1992 to draw up blueprints for developing the region in the post-peace accord era. Japan, which chairs the environment committee of the council, will work to compile "guidelines for environmental conservation."

The guidelines will form the basis of nature preservation policies and development plans in the region. In the guidelines, the government plans to call for international cooperation in protecting the environment. It will also set measures to protect the marine environment from hazards such as oil spills and to prevent desertification. The guidelines are expected to be adopted at a meeting scheduled to be held in Bahrain in October.

As regards tourism assistance, the government will invite trainees from Middle East countries to Japan and hold seminars for them at the beginning of next year. The seminars are aimed at fostering local industries in the region.

Also, at multilateral council's economic development committee meetings, Japan will propose: 1) The drawing up of measures to protect historic relics and the environment as a means of promoting tourism; 2) Improving local infrastructure by building communications and transportation networks; and 3) simplifying procedures for border-crossings for foreigners.

PRC Said Halting High-Level Official Exchanges

OW2309075094 Tokyo *MAINICHI SHIMBUN* in Japanese 22 Sep 94 Morning Edition p 3

[Text] While opposing the Japanese Government's decision to allow Hsu Li-teh, Taiwan's Executive Yuan vice president (equivalent to vice premier), to attend the Hiroshima Asian Games, the Chinese Government has been moving to freeze exchanges of high-level officials between the two nations. It has unofficially declined a visit by Ryutaro Hashimoto, minister of international trade and industry, and is now considering canceling State Councillor (equivalent to vice premier) Li Tieying's attendance at the games.

According to a Japan-China diplomatic source, Michihiro Kunihiro, the Japanese ambassador to China, invited Li, who is scheduled to visit Japan as a leader of the Chinese team, for dinner at the Japanese Embassy on 20 September, but Li declined the invitation. Furthermore, after concluding unofficial arrangements to schedule talks with Premier Li Peng and other officials in Beijing on his way home from the meeting of ASEAN trade ministers to be held in Thailand in late September, Hashimoto received a message from the Chinese Government stating that the "Chinese leaders could not arrange a schedule" to see him. These are unusual reactions considering the smooth Japan-China relations thus far.

As an explanation for Li declining the invitation from the Japanese Embassy, China said: "The Chinese Government has not yet officially decided on his visit to Japan." It has been noted, however, that the Chinese Government may eventually freeze exchanges of high-level officials between the two nations as a protest against Japan's decision to allow Hsu's Japan visit. If China calls off Li's Japan visit, it could be the beginning.

It is said that the Asian Olympic Committee, under pressure from China, is now trying to persuade Hsu not to visit Japan; however, Taiwan has confirmed his attendance at the games. Japan-China relations are now as good as ever since the emperor visited China in 1992 and the fourth yen loan program to China has steadily materialized. As such, the Murayama administration will face a serious problem if bilateral relations deteriorate.

Asahi Bank To Open Office in Vietnam

OW2209142694 Tokyo *KYODO* in English 1248 GMT 22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—Asahi Bank said Thursday [22 September] it will open a representative office in Ho Chi Minh City, Vietnam, next Tuesday, making the eighth such office by Japanese commercial banks.

With the country's economic reform policy, Vietnam is one of the most promising markets along with China, and an increasing number of Japanese firms are seeking business expansion there, Asahi Bank officials said.

The office is to strengthen the bank's information-gathering efforts in Vietnam for its customer companies, they said.

KYODO Comments on Ministerial Telecom Meeting

OW2209143494 Tokyo *KYODO* in English 1357 GMT 22 Sep 94

[Text] Osaka, Sept. 22 KYODO—Telecommunications ministers from 49 countries promised Thursday [22 September] to beef up regional and global cooperation to advance telecommunications infrastructure. The ministers made the promise in a declaration adopted at the end of the first summit by heads of telecommunications administrators from around the world. The meeting was held in Kyoto. The one-day ministerial meeting on global telecommunications focused on the theme "Toward the Information Network of the 21st Century."

The Kyoto declaration describes telecommunications as the driving force to help achieve globally balanced economic development. It also says that there are many countries which contain vast areas with no access to even the most basic telecommunications facilities.

"We confirm our intention to reach out to close the gaps in telecommunications development, so that people

everywhere will be guaranteed access to the potential of information infrastructure," it says.

The ministers met on the occasion of the 1994 plenipotentiary conference of the International Telecommunication Union (ITU), a Geneva-based specialized agency of the United Nations, in Kyoto, an ancient capital of Japan. The plenipotentiary conference is the ITU's supreme body.

Japan's Posts and Telecommunications Minister Shun Oide hosted the meeting, which was also attended by Reed Hundt, chairman of the U.S. Federal Communications Commission.

At the meeting, Oide expressed Japan's determination to "play its full part in encouraging international cooperation to develop a global information infrastructure." The U.S. delegate also made clear a similar aim.

Ministerial statements also mentioned the urgent need to close access gaps in telecommunications through international cooperation and partnership. A number of delegates expressed high expectations that, in the 21st century, telecommunications would play a major role not only in resolving national problems but in dealing with global issues.

After the ministerial meeting, Oide told reporters that developing nations sought the aid of advanced countries in establishing a global information infrastructure. He also said many delegates called for a major ITU program to train telecom engineers.

Insurance Council Drafts Reform Proposal

Council Chairman Interviewed

942A0685A Tokyo KINYU ZAISEI JIJO in Japanese
25 Jul 94 pp 14-17

[Interview with Hiromi Tokuda, chairman of the Insurance Council, a private advisory panel to the MOF, and of the Legal System Advisory Panel, by Haruo Hasegawa of KINYU ZAISEI JIJO]

[Text] The Legal System Advisory Panel has conducted a study on the legal aspects of the direction to be taken on the reform of the insurance system suggested in the 1992 Insurance Council report titled, "Status of the New Insurance Industry." The results of the study compiled in an Insurance Council report titled "Revisions to the Insurance Industry Law," which reflected the expansion and bursting of the bubble economy, will become the basis for a comprehensive insurance industry law visualizing all possible situations.

Difficulties Encountered in Defining the Insurance Industry

[Hasegawa] First, I would like to ask for your impressions of having completed two years of deliberations with the Legal System Advisory Panel.

[Tokuda] The Insurance Law covers a very important sector of commercial law and has been the target of a variety of scholarly academic theories and active debate. An important issue in the deliberations was the incorporation of such valuable research of the past into the law.

The study process of the council was unexpectedly smooth in that the Legal System Advisory Panel benefited from the participation of individuals of the highest authority representing sectors such as civil and commercial law and academic specialists of the accounting doctrine. Of special note was that the individual academics held their individual theories, but collaborated in a supra-doctrinal effort which produced gratifying results in the form of a fine, objective draft law.

[Hasegawa] The view exists that enthusiasm for diversification among life and casualty insurance industries has cooled because of difficult operating conditions facing insurance companies.

[Tokuda] The deliberations of the Insurance Council were accompanied by the expansion and bursting of the bubble economy exposing our nation's insurance industry to the best and worst scenarios. The 1992 Insurance Council report and the recent report providing guidance on legislation were prepared on the basis of such environmental changes.

If the bubble economy had survived, the draft legislation proposed would probably have been more progressive. However, so-called systems must not be influenced by short-term environmental factors, but should visualize requirements 10 to 20 years into the future. In that respect, we visualized a broad spectrum of situations, succeeded in producing a comprehensive insurance law, and are elated by the results of our efforts.

[Hasegawa] What were the most difficult issues encountered?

[Tokuda] A technically difficult issue was the appropriate and clear-cut legal definition of the insurance industry in view of the dearth of definite precedents on a global basis.

Another difficult issue was the legal positioning of mutual companies. We faced the fundamental issue of a mental framework for a modern perspective of mutual company systems which have an extremely long history and chose to use the separate annex approach in the report for clarifying the mutual company system's significance for existence, basic generic character, and future status.

A variety of discussions took place on the management crisis countermeasures system, and the separate annex approach was again used to suggest comprehensive, diversified measures. Such measures included consideration of the fact that the current Insurance Industry Law is a prewar law containing provisions for compulsory transfer, leading to a study on the appropriateness of

such provisions under the current constitution and proposals on modification of the law.

Finally, even at the end of the study, a conclusion was not reached about treatment of life insurance sales people serving as exclusive agents for a single insurer. The report left provisions for exclusive agents for a single insurer in the basic rules, but assumed the approach of relegating exceptions to Ministry of Finance [MOF] ordinances, subject to further study.

"Consideration" for Decontrol of Third Insurance Sector

[Hasegawa] The recent Insurance Council report confirmed the goal in the Insurance Council report of two years ago which called for consideration being extended to small and medium insurance companies including foreign insurers on the subject of so-called diversification into the third insurance sector, such as casualty and medical insurance, but what sort of "consideration" are we speaking of?

[Tokuda] It would be inappropriate at this stage to address the future outlook because of the continuing diplomatic negotiations taking place in connection with the Japan-U.S. economic talks. Consideration will most likely be given to the timing and method for implementation of the changes.

[Hasegawa] Can we interpret the potential changes to take place in connection with the third insurance sector products as being the "timing and method" for eliminating the distinction made in the 1940 government arbitration between fixed coverage for life insurance and actual damages coverage for casualty insurance?

[Tokuda] The passages in the report which define the third insurance sector and which provides for diversification into the sector do guarantee such items. This issue is a matter of definition and is not related to the Japan-U.S. negotiations or the issue of timing about implementation.

[Hasegawa] Do you think the Japan-U.S. insurance talks since last year had an effect on the compilation of the recent report?

[Tokuda] The recent report was not affected in any way by the Japan-U.S. talks, because the Insurance Council report of 1992 was compiled after a thorough survey of foreign insurance industries. The report preceded demands by the United States in terms of giving consideration to the diversification into the third insurance sector or the introduction of the insurance brokerage industry.

Diversification Will Not Be Postponed

[Hasegawa] The council report contains no provisions for restricting the scope of services to be offered by life and casualty insurance subsidiaries, but does this mean that the intent is to allow across-the-board diversification from the very beginning?

[Tokuda] Yes.

[Hasegawa] Even if it becomes possible to operate combined life and casualty insurance companies as subsidiaries, will it be possible to realize cross-marketing services while retaining salespersons serving as exclusive agent for a single insurer?

[Tokuda] Cross-marketing must be realized as stipulated in the original Insurance Council report. In that respect, treatment of cases where the exclusive agent salesperson system for life insurers does not apply will be the subject of continuing coordination.

[Hasegawa] Items on "services" and "supplementary services and other services prescribed by law" carried the proviso that "necessary coordination will be continued and the items will be subjected to further study," but did the Legal System Advisory Panel face difficulties in arriving at decisions?

[Tokuda] The mission of the Legal System Advisory Panel is legislation concerning the contents of the Insurance Council report and the advisory panel is normally not concerned with the classification of intra-industry services. Accordingly, decisions of that nature were left for disposition by government agencies.

[Hasegawa] The main body of the Insurance Council report provides for the diversification into bank, trust bank, and securities activities based on the subsidiary format, but the preamble of the report calls for "incremental implementation of such diversification," and in reality calls for postponement under the pending revision of the industry law.

[Tokuda] We have made the decision not to use the word "postpone (laugh)." The idea is to implement diversification incrementally, but not to postpone.

The pending revision of the Insurance Industry Law is of an innovative nature that is five or 10 steps ahead of the 1981 revision of the Banking Law and could easily create confusion in the industry if it were implemented in its entirety in just one step. This is why the decision was made in the initial stages to include those areas that do not require coordination with other industries where implementation of reforms could be independently implemented by the insurance industry, while introducing various measures to maintain the soundness of the industry and installing management crisis counter-measure systems. This approach will be used to establish systems for protection of the insured, before proceeding with the second stage, in which the insurers will diversify into other industry categories.

With respect to the 1992 Insurance Council Report, the preamble of the 1994 report reconfirms the significance of the first report by stating in part, "This report suggests the ideal and comprehensive posture of the 21st century insurance industry and government supervision of the insurance industry." "Of the 21st century" does not mean that changes to the industry will take place after

the year 2001, but that it is desirable that all the changes be implemented by the 21st century. Needless to say, financial-economic conditions may preclude a commitment that all changes be completed by the year 2001, but our hope is that all system reforms will be completed when we enter the 21st century.

Further the preamble in part is redundant in its use of the word "implementing" where it states, "In implementing reforms, from the standpoint of faithfully implementing such reforms..." On the other hand, the preamble states in part, "Consideration will be given to the maximum possible early realization of other systems reforms," and reflects the use of the phrase, "maximum possible early" which is not seen very often in council reports. Such phrases were used in the preamble to clearly reflect our determination to ensure all reforms are implemented at the earliest possible date.

[Hasegawa] Do you feel coordination will become necessary in relation to the Financial System Research Committee and the Securities and Exchange Council?

[Tokuda] The Financial System Research Committee report states that the Insurance Council is currently deliberating the issue of industry demarcation with the insurance industry and that the committee will await those results. Most likely, the Insurance Council report will be explained before the Financial System Research Committee. Of special note is that the pending reforms are limited to the insurance industry.

Appropriate Use of Solvency Margins

[Hasegawa] I hear that the property utilization procedures manual will be abolished and replaced by the asset management regulation, but what is the difference?

[Tokuda] The new regulation covers liquidity, profitability, and safety, and reflects no fundamental, substantial differences from the current property utilization procedures manual. However, the new regulation will directly approve the introduction of new financial products, financial brokerage services and savings deposit functions of insurance companies, and consideration must be given to appropriate asset management capabilities.

[Hasegawa] I understand that the Insurance Law will provide for a solvency margin criteria, which contrasts with the BIS [Bank for International Settlements] standards for banks.

[Tokuda] I believe that it represents a modest change, which indicates that if the Banking Laws were revised at this time provision would be made for a net worth requirement.

[Hasegawa] The chairman has always been critical of BIS regulations. Do you think the solvency margin will restrict insurance company operations just as BIS regulations once affected banking operations?

[Tokuda] Currently, the net worth segment of mutual insurance companies is not substantial because it does not include capital acquired through the issuance of stock. In that respect, there is probably a need to adopt the solvency margin concept as an incentive for reviewing the soundness of insurance company net worth positions.

I have not said that there is no need for a net worth requirement for banks and I believe they must take the initiative in maintaining an appropriate level of net worth. However, I will say that the BIS requirement of 8 percent was established as a shoot-from-the-hip estimate and that it would be inappropriate to insist on that particular requirement. As an example, the BIS criterion is nonsensical in that it allows for the inclusion of subordinate loans in calculating the 8-percent requirement and has the effect of degrading the assets of financial institutions.

A minimal criterion will probably be established in connection with the solvency margin concept, but we should use an appropriate management approach rather than a meaningless mechanically devised numerical approach.

[Hasegawa] Provisions have been incorporated for reductions in insurance coverage and changes in insurance conditions in connection with voluntary blanket transfers and mergers, but were those provisions intended to seek assumption of appropriate liabilities by the insured?

[Tokuda] Those provisions envisioned the need to do so under the worst-case scenario. However, it is important to establish systems that enable a check on management before they fall victim to such situations.

Safety Nets Will Be Debated Again

[Hasegawa] The Insurance Council report states that further study is required about safety nets, but what sorts of problems did you encounter in finalizing provisions for a safety net?

[Tokuda] A safety net similar to the deposit insurance system which functions to guarantee payment is desired. However, provisions of that nature will require solutions to a number of legal issues which cannot be resolved in time for legislative action next year.

Accordingly, I think the arrangement will call for the Insurance Council to deliberate once more when the revision of the industry law is implemented and a new law is made based on the report emanating from the council at that time.

[Hasegawa] A decision has been made to adopt advisory rates set by the Casualty Insurance Premium Calculation Association, but action remains to be taken on an exemption to the application of the Antimonopoly Law. Is

it not feasible to completely decontrol insurance dividends and premiums in a manner similar to decontrol of banking interest rates?

[Tokuda] In a sense, dividends have been completely decontrolled. However, a fundamental approach to casualty insurance industry operations is to gather data on a large number of cases and to determine basic insurance premium rates based on the law of great numbers. In the event a population universe of actual cases is unobtainable, the law of great numbers does not prevail and any basic insurance premium rates devised under such circumstances are subject to a very high risk factor.

Moreover, it would be a dangerous situation if the insurance industry were to engage in excessive competition relative to basic insurance premium rates. In other words, if premiums are set at a low level based on the assumption that potential damages incurred will be lower than can be realistically anticipated and damages actually occur, the insurance company in question could run the risk of undermining its viability.

In that sense, the basic insurance premium rate needs to be set at an appropriate level based on appropriate mathematical principles. This issue is entirely disassociated with the matter of decontrol.

Aspects that could be decontrolled include additional premium rates for personnel expenses and nonpersonnel expenses which the pending revision of the law will exempt from the obligation for compliance and allow the insurance companies to set their own rates based on advisory rates calculated by the Insurance Premium Calculation Association.

Reform Proposal Examined

942A0685B Tokyo KINYU ZAISEI JIJO in Japanese
25 Jul 94 pp 18-21

[Article by Yoshitsugu Nishimura, assistant section chief, Research Office, Insurance Department, Banking Bureau, Ministry of Finance]

[Text] *The Insurance Council on 24 June completed and submitted to the minister of finance a report titled "Revisions to the Insurance Industry Law," containing results of a study of the legal system and the course of action that should be taken in effecting a fundamental reform of the insurance system. The purpose of this article is to explain the events which led to the Insurance Council report, the principal features of the report, and items such as the future schedule for reform of the insurance system.*

Events That Took Place in the Past

A. Insurance Council Report

The Insurance Council conducted a long-term, comprehensive study on the "status of the insurance industry and revision of the insurance laws" beginning in April 1989, and on 17 June 1992 completed a report titled, "Status of the New Insurance Industry," in view of the

major changes taking place in the insurance industry environment, such as the aging of the population and progress on the liberalization and globalization of financial systems.

In response to the environmental changes and for the purpose of maintaining and improving the respective functions of the insurance industry, the report provides guidelines on the three aspects of 1) promoting competition and industry efficiencies through deregulation, 2) maintaining the soundness of the industry, and 3) maintaining fairness in the management of the industry. The report suggests reviews of and recommendations on important items of the overall status of the insurance industry such as 1) the scope of operations of insurance companies, 2) sales of insurance products, 3) insurance accounting and disclosure, 4) insurance company formats, and 5) supervision of the insurance industry, and suggests the direction of revisions to insurance laws.

B. Deliberations of the Legal System Advisory Panel

The Insurance Council has submitted the report and established a Legal System Advisory Panel composed of academics who are expert in commercial law to function under the council with the objective of working on the implementation of the report from a legal aspect along the lines recommended in the report.

The Legal System Advisory Panel had completed deliberations on the individual study themes during 20 sessions of the council since the initial session in July 1992 and since the 21st session in September 1993 has engaged in in-depth deliberations on comparatively major issues such as "mutual companies," "management crisis countermeasure systems," and "definition of the insurance industry." After the 27th and subsequent sessions of the council in April of this year, comments gathered up to that point were collated and at the 31st session on 13 May, deliberation results were compiled under the title of "Legal System Advisory Panel Report."

C. Deliberations of the Insurance Council

In response to the completion of the Legal System Advisory Panel report, the Insurance Council held deliberations on the report for three sessions on 3, 14, and 24 June, approved the report as a legal system study on insurance system reform, and submitted to the minister of finance an Insurance Council report titled "Revision of the Insurance Industry Law" which covered approaches for implementing the advisory panel report.

Further, during the above process when Insurance Council meetings were held on 14 June, hearings were held for foreign insurance companies to seek their views on the pending insurance system reform.

Main Features of the Insurance Council Report

Next, this article will cover a broad review of the types of revisions proposed for insurance laws and regulations along the lines of the three guidelines issued in the

Insurance Council report previously mentioned based on the legal system study results covering insurance system reform and suggested in the recent Insurance Council report.

A. Deregulation, Promotion of Competition Through Deregulation, and Boosting Efficiency of the Industry

1. Diversification of Life and Casualty Insurance Industries

The insurance industry is defined as an industry that underwrites insurance for unspecified individuals and is classified into 1) insurance of a fixed amount paid in connection with the specified anniversary or death of a person (life insurance sector); 2) accident, medical, and nursing insurance (so-called third sector); and 3) insurance that compensates for damages sustained under a predefined accidental incident (casualty insurance sector).

Further, provision has been made to provide that life insurance companies will underwrite insurance for the above-mentioned items 1 and 2, and that casualty insurance companies will underwrite insurance for items 2 and 3.

The impact of the foregoing provision is that the same insurance company may not underwrite insurance for items 1 and 3, thus preserving the prohibition on joint operation of life and casualty insurance businesses, but allows parent life and casualty insurance companies to diversify into the so-called third sector.

Further, the previously mentioned Insurance Council report suggests, "It would be appropriate to respond based on its previously submitted findings in connection with parent life and casualty insurance company diversification into the accident, medical, and nursing insurance sectors," but this shows that the report preserves the thinking of the Insurance Council's earlier findings which state that "it is appropriate to give due consideration to the timing and implementation [of diversification] given the existence of companies, such as small and midsized insurance companies, including foreign insurance companies, that are highly dependent on these sectors."

Combined life and casualty insurance operations are provided for in the form of subsidiaries in which life insurance companies can acquire more than 50 percent of the stock of a casualty insurer, and a casualty insurance company may acquire more than 50 percent of the stock of a life insurer.

Further, a fire wall between life and casualty insurance operations is provided in the form of ministry-mandated ordinances imposing legal restrictions in the form of arm's-length rules on insurance companies in underwriting reinsurance for parent companies or subsidiaries, and restrictions on transactions between parent and subsidiary insurance companies which differ significantly from normal transactions.

Additionally, for sales of insurance policies a fire wall is provided that legally prohibits solicitation of policy sales by an insurance salesman to an individual client when it is known that the client is being offered special benefits from the parent or subsidiary insurance company under the condition that the individual purchases a policy from the insurance company.

2. Introduction of a Reporting System for Some Products and Premium Rates

In the area of insurance products and premium rates, current law provides for a uniform approval system requiring approval for changes in basic documents such as those laying out business methods, standard insurance policies, insurance premiums, and liability reserve calculations. However, a reporting system is being introduced for specific insurance products and rates not considered problematic as far as protecting the interests of the insured are concerned. The reporting system is not restricted to the aforementioned documents when a new MOF ordinance is issued.

The reporting system will provide that: 1) When an insurance company decides to modify a business methods document, it will not be allowed to implement changes covered in the report of changes until 90 days have lapsed from the date of submission; 2) The minister of finance may either reduce or extend the 90-day waiting period; 3) The minister of finance may direct changes to the reported pending modifications.

3. Partial Relaxation of System Requiring Exclusive-Agent Life Insurance Salespersons for Single Insurer

The so-called exclusive-agent life insurance salesperson for a single insurer system will be preserved in that a provision will be retained to prohibit one life insurance company from contracting with a sales agent of another life insurance company, but in those cases where there is no fear of detracting from interests of the insured, MOF ordinances will delineate conditions for exemptions to the law concerning exclusive-agent salespersons.

4. Adoption of an Insurance Broker System

Insurance brokers are individuals who serve as intermediaries in establishing insurance contracts between the insured and insurance companies and will be defined as individuals who have not been contracted by officers or employees of an insurance company or by the insurance company itself, while provision will be made for the establishment of an insurance broker system.

A registration system will be adopted for insurance brokers, conditions will be prescribed for rejection of applications for registration based on the lack of adequate experience for efficient performance of insurance policy brokerage services and lack of knowledge concerning insurance matters, with possible adoption of an examination system administered by an independent regulating agency such as the Insurance Brokerage Association.

Further, provision will be made for the protection of the insured by imposing controls on insurance brokers which 1) require the deposit of business guarantee funds or the purchase of casualty indemnification liability insurance to ensure the capability to discharge indemnification obligations, 2) provide for the obligation of diligence in the discharge of brokerage services or the rendering of best advice, and 3) prohibition against serving as an agency of an insurance company.

5. Amendments to the Casualty Insurance Premium Calculation Association System

A system will be adopted to exempt insurance companies from the obligation to comply with requirements for additional premium rates, such as those applicable to company expenses, in those cases of a single item such as special items wherein it is determined that the interests of the insured will not be compromised relative to an item covered by the calculation association.

Specific actions to be taken about such special items include: 1) When the calculation association calculates a basic insurance premium rate applicable to casualty rates, it must obtain the approval of the minister of finance, and when it calculates an additive insurance premium rate to be used as an advisory rate, it must report the rate to the minister of finance; 2) insurance companies that are members of the calculation association will use the basic insurance premium rates calculated by the calculation association and use the additive insurance premium rates as reference in calculating the respective operating insurance premium rates; 3) in those instances where the operating insurance premium rates of a given member insurance company are within a certain range of the criteria obtained by combining the calculation association-determined basic insurance premium rate and advisory rate, there will be no need to obtain the approval of or to report the rate to the minister of finance; 4) in those instances where the applicable operating insurance premium rate exceeds the applicable range, documents explaining the basis for calculation of the additive premium rate will be enclosed in a report submitted to the minister of finance.

6. Other

New provisions will be made for the conversion of mutual companies into stock companies through a process of reorganization.

Further, measures will be taken to include capital gains in composite earnings and to provide for their inclusion in regular dividends, abolish provisions of Section 86 which basically calls for establishment of reserves in the way of capital gains to offset future capital losses, and to establish a reserve to cover losses from price fluctuations in assets such as stock holdings.

B. Maintaining Soundness

1. Introduction of an Early Warning System Based on Solvency Margin Criterion

When the minister of finance determines that there is a risk of not being able to protect the interests of the insured unless appropriate remedial actions are taken in consideration of a given insurance company's capital and reserves, potential risk of claims exceeding those covered by outstanding policies, and the condition of assets, the minister may seek submission of a remedial plan from the insurance company, direct actions necessary to maintain sound operations, and provide for the use of the solvency margin as an insurance company supervision index relative to the capability of insurance companies to respond to contingencies that exceed normal insurance claims (handled with liability reserves.)

2. Establishment of Management Crisis Response System

Considering the emphasis placed on the guarantee capabilities of insurance policies and the sustained validity of insurance policies, there is a need for blanket transfer or merger of insurance policies of failed insured companies in an effort to maximize the validity of the applicable policies.

Toward this end, provisions for insurance coverage reductions and compulsory transfer decisions by the minister of finance under current law will be deleted, but a system will be introduced to provide for the rapid involvement of the minister of finance based on voluntary proceedings undertaken by policy holders.

Specifically, provision will be made for: 1) an insurance administrator appointed by the minister of finance to prepare a liquidation plan, including blanket transfers and mergers of insurance policies of failed insurance companies, to obtain the approval of such plan from the minister of finance, and to execute the plan; 2) significant changes to provision of policies, such as insurance coverage in connection with blanket transfers must be subject to the resolution of a policyholders' meeting; 3) when deemed necessary, the minister of finance may direct the two companies involved in the blanket transfer of insurance policies to engage in consultations; 4) mediation by the minister of finance concerning conditions of transfer during consultations covering blanket transfer of policies.

Further, provision will be made for 1) insurance companies to establish nonprofit foundations (financial aid foundations) to provide financial aid; 2) financial aid foundations will provide financial aid to the rescuing insurance company receiving the blanket transfers of policies in the form of financial grants and purchase of assets; 3) when necessary, the minister of finance may direct the two insurance companies involved to consult each other on the blanket transfer of policies; 4) during such consultations on blanket transfers, the minister of finance may mediate terms of transfer.

Further, provision will be made for 1) insurance companies to establish nonprofit organizations to extend financial aid; 2) nonprofit financial aid organizations to

extend aid to rescuing insurance companies in the form of financial grants and purchase of assets; 3) requirement for rescuing insurance company to obtain the approval of the minister of finance on the suitability to accommodate applicable blanket transfer, prior to applying for financial aid.

3. Expansion of Insurance Accountant System

Provision is made for insurance accountants to confirm that liability reserves are being accumulated based on sound mathematical principles applicable to insurance businesses and that dividends are being paid on a fair and equitable basis for each accounting period and report the results to the board of directors, along with the expansion of insurance accountants' duties.

Further, provision will be made to require casualty insurance companies that classified as essential entities in MOF ordinances and that are believed to be in a position to handle long-term insurance policies to appoint insurance accountants.

4. Other

Capitalization (funding) of insurance companies will be specified at a minimum of 1 billion yen, reflecting an increase from the current 300 million yen requirement.

Further, mutual companies will be required to establish a loss compensation reserve until capitalization (funding) exceeds the level prescribed in the company charter.

Further, foreign insurance companies will be required to cover insurance policies in Japan with applicable liability reserves and funds equal to equity capital requirements in Japan.

C. Maintaining Fair Business Operations

1. Reinforcement of Management Monitoring Functions in Mutual Companies

Provision will be made to legally specify a policyholders' proxy general meeting to substitute for a policyholders general meeting enabling the exercise of minority policyholders rights and minority policyholders proxy rights.

Specifically, as an example, provision can be made to change the authority for calling a policyholders proxy general meeting from the current legal requirement of a vote by 3/100ths of the policyholders in favor of such action to 3/1,000ths, or 3,000 or more policyholders, or 10 or more delegates.

Further, provision will be made to change allowance for the exercise of policyholders proxy litigation rights in those cases where 3/100ths or more of the policyholders vote to allow such action to cases where the action is allowed by a single partner.

2. Establishing Provisions for Disclosure

Insurance companies will be required to display at company headquarters documents explaining the operations and asset position for each fiscal year, make such documents available for public examination, and establish internal regulations that provide for compliance with the rules of disclosure.

Significance of and Future Progress^{*} on Insurance System Reform

The pending insurance system reform responds to new conditions such as the decontrol and internationalization of financial systems, is the first major reform implemented in a half century with a goal of maintaining the soundness of the insurance industry, and has very important implications for our nation's economy and society in terms of building a new insurance system for the 21st century.

With respect to the implementation of insurance system reform, the Insurance Council report states, "It is necessary to prevent confusion in the transition to the new system and to prevent serious impact on the protection of the insured by the gradual and incremental implementation of system reform," and toward that end, regarding revision of the insurance laws and regulations, it states, "The decontrol of the insurance system will be initially implemented by diversification of life and casualty insurance services through the subsidiary approach, and there is a need for rapid legislation to adopt solvency margin criteria and new management crisis response systems. Once progress to that point is confirmed, appropriate measures should be taken for incremental actions to complete system reform, including diversification into other business categories." These passages show that the pending insurance system reform is of major proportions and covers a broad spectrum of changes that place first priority on the protection of policyholders and suggests that provision should be made for a soft landing in promoting the new system on a steady step-by-step basis.

In the future, government authorities hope to abide by the Insurance Council report in assiduously working on draft legislation for revision of the Insurance Law with a view to submission during next year's Diet session.

(Opinions reflected in the text of this article are those of the writer.)

Commercial Banks Launch Securities Subsidiaries
942A0608A Tokyo EKONOMISUTO in Japanese
23 Aug 94 pp 86-89

[Article by Hiroo Yamashita, economic commentator]

[Text] *The assault on the securities industry by bank-affiliated securities subsidiaries has finally begun in earnest. If the ferocity of the initial attack by IBJ [Industrial Bank of Japan] Securities is any indication, these entering*

subsidiaries can be expected to have a serious impact on the industry. Will smaller securities firms be able to survive?

Asahi Bank's securities subsidiary, Asahi Securities Co., began operations on 26 July. It has been the focus of attention as the first securities subsidiary to be set up by a city bank as part of the effort to reform Japan's financial system.

Following Asahi Securities' lead, the securities subsidiaries of six other major city banks, including Sakura Bank and Dai-Ichi Kangyo Bank, are slated to open their doors in October. Tokai Bank and Hokkaido Takushoku Bank will be added to this list by next spring. Their entry, together with those of IBJ Securities Co., LTCB [Long-Term Credit Bank of Japan] Securities Co., and Norinchukin Securities Co.—bank subsidiaries which had a slight head start in being set up last July—indicates that the banking industry is finally moving seriously into the securities business.

Trust banks are also beginning to enter the field. Besides the subsidiaries of Sumitomo Trust and Banking Co. and Mitsubishi Trust and Banking Corp., both of which were set up last September, Yasuda Trust and Banking Co. also opened its securities subsidiary in August of this year.

Good news came as the banking industry was preparing to move in its troops. During the latter part of May, when the financial reports of city banks for the fiscal year just ended were released, attention was drawn to rumors about certain retired bank officials. The rumors were that tentative decisions had been reached about filling the top positions in city bank subsidiaries.

The upshot is that banks like Asahi and Sakura, which have appointed former bank vice presidents to head their securities subsidiaries—in Asahi's case, Akira Ito and, in Sakura's case, Minoru Suzuki—will be bringing a bright class of managing and executive director level personnel into the securities business. Conspicuous among the new personnel are individuals who are strong in corporate management and international business.

This same thoroughness is also expected in money matters as well. Just before setting up their securities subsidiaries, banks "scaled up" subsidiary capital accounts by 30-40 billion yen. This is probably a precaution against startup problems that might occur given the uncertainties of the market environment. It shows the degree to which these banks are determined to enter the securities business.

Here one aspect of the long- to medium-term strategy of city banks is discernible: Handing what amounts to a gold brocade standard—the call for financial deregulation, internationalization and securitization, all basic concepts of financial system reform—city banks are getting ready to walk the path to universal banking.

At present, bank subsidiaries are restricted in their activities. For the immediate future, their main activities will be the trade and underwriting of public and corporate bonds, with the emphasis on straight bonds.

Stocks, which are considered the backbone of the securities business, are still off-limits, and they are also restricted in underwriting convertible bonds (CB's) and warrant bonds (corporate bonds which give the bearer the right to underwrite new stock issues). Restricted in what they can do, bank subsidiaries present an image that is quite different from the one we usually have of securities firms.

The reason for these restrictions is the strenuous opposition that has come from securities firms to bank subsidiaries entering their turf. Securities firms have had a tough fight on their hands since the bubble economy collapsed, and their argument is quite simple but reasonable. Many of them say it makes no sense that financial system reform—an idea that came about at a time when the grass, for banks, seemed greener in their neighbor's yard—should be given shape and be implemented now, when the grass is withered and brown. Thus, banks have not only had to enter the securities field gradually and by stages, but the scope of their activities has been severely restricted.

Moreover, various fire walls (business barriers) have been established with regard to the exchange of personnel and the way business is conducted. The intent is to eliminate the influence that parent banks, which have a thick pipeline to corporations, might exert on behalf of their subsidiaries. But just as money speaks, so, it seems, will the relationship that banks and corporations build up during the normal course of doing business together. This is one of the reasons securities firms are intimidated by the idea that city bank subsidiaries will be entering their turf.

IBJ Securities Company Like a Bull on the Playing Field

The first contingent to enter the securities field has found the way much smoother than expected. Financial reports for the fiscal year ending in March show IBJ Securities Co. with profits of over 1.5 billion yen from bond sales and current profits of 530 million yen in just six months after its start. Profits were also shown by LTCB Securities and Norinchukin Securities.

In the case of the two trust bank-affiliated subsidiaries, financial statements showed negative current profits—the result of losses in corporate bond sales—but both firms made a fairly good showing in terms of their ratio of current expenses to current income. One hundred percent of their expenses were covered by revenue from brokerage fees and financial earnings.

The relative outcome of their activities on the underwriting market since their start becomes clearer in the table below. As indicated, IBJ Securities has been

remarkably active on the market. From July 1993, when it began operations, to mid-July of this year, it participated in underwriting nearly 140 separate corporate issues and was comanager in over 60 of these cases.

It has already won four prestigious contracts as lead manager, underwriting Nissan Motor Co.'s straight bonds in February as well as bonds for Zexel Corp. and Riken Corp. During its first year, it won a 3.15-percent share of the underwriting market for straight bonds, taking a substantial market share from second-tier firms in a relatively short time.

The Industrial Bank of Japan's entry into the securities business was an essential part of its efforts to establish a *raison d'être* for itself in the future. For this reason, it is putting the best human resources into its endeavor, as well as the rich know-how it has built up over the years. Like an athlete, it also took care to limber up ahead of time by way of its IBJ International affiliate. It is only natural, therefore, that it has been successful in making its way into this new field—so successful in fact that there have been bitter cries of complaint that financial reform has been carried out just for IBJ's sake.

Though somewhat overshadowed by IBJ Securities, the Long-Term Credit Bank of Japan's subsidiary, LTCB Securities, is also making a good showing underwriting samurai bonds (yen-denominated bonds issued by a foreign borrower). Norinchukin Securities, whose bailiwick is agriculture- and fisheries-related industries, is steadily gaining ground here in underwriting convertible bonds.

The entrance of bank subsidiaries into the securities business has been like poking air holes into a closed chamber, opening up the bond underwriting market and starting the process of bringing about structural change. For example, until now, straight bond underwriting syndicates were comprised mainly of the "Big Four" securities firms [Nomura, Daiwa, Nikko, and Yamai-chi]. Usually one of these firms would be the lead manager, with the managing group made up of the other three houses along with a number of second-tier firms. Generally, the pattern was for some 20 to 30 core firms to participate in an underwriting syndicate. To some degree, the members and their share [of the risk] were fixed.

However, with banks entering the securities business, there has been a growing tendency to try to decide shares and the composition of underwriting syndicates on the basis of a firm's sales strength and ability to come up with a strong proposal. Together with the trend toward lower underwriting fees, the result of greater competition, this is working to the benefit of the issuer, which is one of the aims of financial reform.

In June, when Mitsubishi Corp. issued some 200 billion yen in straight bonds, despite its being the largest such issuance of bonds in the past, the number of members participating in the underwriting syndicate was narrowed down to just 16 firms. Again, in July, when Tokyo Gas and Electricity issued straight bonds, the number of participating firms was narrowed down to 12. Thus, smaller firms outside the core group of securities houses are beginning to feel the impact of more bank subsidiaries in the field in the sense of their being dropped from syndicate participation.

Participation by Bank Securities Subsidiaries in Underwriting Syndicates for Convertible Bonds, Straight Bonds (Unit: 1 million yen)

For Year Ending 31 March 1994

	Market Total	IBJ Securities	LTCB Securities	Norinchukin Securities	Sumitomo Trust & Banking	Mitsubishi Trust & Banking
CB Underwriting	2,028,000	3,742.0	983.0	1,141.5	407.0	985.0
Share (percent of total)		0.18	0.05	0.06	0.02	0.05
SB Underwriting	2,979,000	57,460	14,710	2,430	4,210	1,450
Share		1.93	0.49	0.08	0.14	0.05
I April-20 July 1994						
CB Underwriting	796,500	2,417.0	2,250.0	1,871.0	859.0	390.0
Share		0.30	0.28	0.23	0.11	0.05
SB Underwriting	1,320,000	41,590	19,620	7,970	1,950	6,565
Share		3.15	1.49	0.60	0.15	0.50

Parent Banks—Thick Pipeline to Corporations

Unlike the Industrial Bank of Japan, which entered the market with a strong background in underwriting bank debentures and Eurobonds, city banks have not yet built a strong foundation for themselves in bond underwriting, and it appears their impact will not be as dramatic.

Many believe that in the long run, however, because of the thick (financial and human) pipeline connecting city bank subsidiaries to corporate bond issuers, they will have a bigger impact on the issue market than those bank subsidiaries which have already entered the securities field. It seems certain at least that the map showing the

distribution and relative strength of players in the underwriting market will have to be redrawn.

Still recent enough to be fresh in one's memory are the events of April of last year when local city banks, armed with swaps and other financial instruments, launched a violent attack on the Euromarket following the removal of the Ministry of Finance's official "guidance" (through its banking, securities and international financial bureaus).

In 1992, city bank affiliates had won only a 2.7-percent share of the Euroyen bond market as lead managers. That figure jumped to 20.6 percent in 1993 as a result of their floating a series of loans for Japanese corporations, as city banks tried to build up their performance in order to get approval to set up securities subsidiaries. Local securities affiliates have continued to be active in 1994, gaining an 18.7-percent share of the market from January through May. The underwriting map is undergoing a complete overhaul, a phenomenon many attribute to the influence of parent banks.

But such high percentages are the result of the attempts of city banks to build up their performance records abroad, even if it means accepting losses, as the time approaches to set up subsidiaries at home, and it is still too early to take these results and simply apply them to the domestic market.

In any case, given their large shareholdings in companies and their role as main banks, Japan's city banks are in preferred seating sections with regard to issuing corporations. Considered from this perspective, the entrance of new securities subsidiaries will probably have an even greater impact on Japan's capital market than was the case in other countries. Their entrance can also be expected to deal a harsh blow to the existing market order, especially the operations of small and midsized securities firms, when one considers the difference between them and city banks in terms of such factors as branch offices and staff size and capital. If one accepts the possibility that fire walls will not function as they are supposed to and that parent banks will exercise their influence over client companies, then that impact will be even greater. At the 20 July board of directors meeting of the Securities Industry Association, MOF Securities Bureau Chief Hidaka disclosed the main points the ministry will be looking into as it investigates the impact of bank subsidiaries on the underwriting business. Among other things, it will be looking into: 1) the impact that bond underwriting by bank subsidiaries like IBJ Securities has had on securities firms, and 2) whether bank subsidiaries are relying on the influence of their parent banks in winning underwriting manager contracts. Targeted will be subsidiaries like Yasuda Trust & Securities Co. and Asahi Securities, which just recently opened for business, as well as major city bank subsidiaries that are slated to open in November. Under their robes, it seems the two sides have donned armor.

Small Securities Firms in Danger of Being Swallowed Up

Securities firms, rather than standing idly by, are responding to the threat of intensifying competition by focusing on their strong points—their sales strength and ability to present the kind of proposals to clients [to raise funds] that only they can make—and improving their management systems and planning capabilities.

Since last autumn, they have been focusing their energies on underwriting and selling corporate bonds to individual investors. Such sales play a core role in their strategy with regard to the bank subsidiaries. In this way, while accessing the enormous wealth represented by individual financial assets, they will be able to turn down the participation of bank-affiliated subsidiaries in underwriting syndicates on the grounds that they do not have the same means to reach the individual investor.

Nor is their strategy limited to individual investors. A move has started to determine shares and the composition of underwriting groups on the basis of sales ability. The aim here seems to be to say to banking subsidiaries that they can not participate in syndicates solely on the basis of their relationship to the issuer.

But if this emphasis on sales ability is taken too far, for smaller securities firms, it will be like putting the noose around one's own neck and hanging oneself. One ends up weeding out the weaker members of a syndicate, though the initial concern was the entrance of new bank subsidiaries. To this, the banks have their own persuasive argument: To fulfill the underwriter's responsibility, they say, a large amount of capital is needed; when smaller firms can't fulfill this requirement, it is only natural that they are weeded out and bank affiliates with more capital take their place.

Another problem comes up when banking subsidiaries, who claim that being limited to corporate bonds is like flying with clipped wings, demand to be allowed to handle CB's and stock transactions. The reason the first three subsidiaries, as represented by IBJ Securities, came out with profits from their first year is that the bond market was on the upturn due to the lowering of interest rates. By the time the two trust bank-affiliated subsidiaries came along, though it was just two months later, the bond market had changed direction, and as a result, they came out in the red. Given the uncertainty of interest rates as the economy recovers, banking subsidiaries find themselves having a hard time managing on corporate bonds alone. Even though the initial capital they had when they were set up is enough to keep them going, someday they will be demanding to handle convertible bonds and other equities.

If that happens, existing securities companies, especially small firms, will be placed in a life-or-death situation. Even though abuses due to the oligopoly of the "Big Four" were rumored, second-tier firms were unable to do

anything about it. Now, it seems, a new force to oppose the Big Four will be materializing much sooner than imagined.

The pattern of response to the storm caused by financial system reform can no longer simply be that of securities firms, large and small, banding together to protect themselves against the onslaught of the banks. The respective interests of the four major securities firms and their affiliate firms, of securities firms belonging to banking *keiretsu* and of newly entering bank subsidiaries, and of small, independent securities firms will continually merge into different patterns and groupings.

As one sees in the example of Daiwa Bank's acquisition of Cosmo Securities Co., it has become possible under the Financial System Reform Act for banks to purchase bankrupt securities firms in special "rescue" cases and to have these subsidiaries then broker stocks. In the future, it is fully possible that, in the same way, small, financially ailing securities firms may come under the umbrella of bank institutions.

In fact, by virtue of their funds and personnel, many of the top-ranking city banks have had substantial leverage over securities firms that have been suffering in the wake of the bubble economy's collapse. Taking the Cosmo case, where a full-service securities firm became a bank subsidiary, some critics are also arguing that this same opportunity should be given to all bank subsidiaries and not only in special cases. Put in a weakened position by the entrance of bank-affiliated subsidiaries, the securities industry, it seems, may be forced to restructure itself, taking its lead from the banks.

Editorial Comments on Housing Loan Sector

942A0716A Tokyo NIHON KEIZAI SHIMBUN in Japanese 14 Sep 94 p 2

[Editorial: "Inconsistencies in Private, Public Funding of Housing"]

[Text] The Housing Loan Corporation [HLC] is changing conditions for loans. Beginning with loans to be solicited from the second increment for this fiscal year on 22 September, the loan amount, including special additions, will be limited to 80 percent of the purchase price. On the other hand, private-sector residential loans from institutions such as banks recovered in the first half of the year and banks are attempting to increase their share of housing loans through variable-interest-rate loans.

Does this mean that we are about to see a turning point in the situation where the private sector has been crowded out of the housing loan market by the Housing Loan Corporation?

It is said that the HLC established an upper limit on loans ostensibly to "preserve its credit position by suppressing increases in overdue loans." In reality, the move

is based on the fear that the HLC may not be able to cope with sharp increases in loan demand.

In fiscal year 1993, 1.3 million applications were received for a ceiling of 770,000 loans, while the carry-over from last year plus the newly received applications for the first increment of this year's applications totaled 1.136 million, in contrast to the 630,000 loan ceiling for the fiscal year. This is why the HLC was forced to impose a limit on the value of each loan issued from the second half of the year.

The situation faced by the HLC is a logical outcome of the feverish pace at which the HLC loan program was increased as a priority program in extricating the economy from the prolonged "Heisei recession." The Fiscal Investment and Loan Program (FILP) funds that serve as the source of HLC financing are not inexhaustible, and interest inflow and outflow deficits relative to HLC loans and FILP funding are covered by subsidies from the general budget (440.5 billion yen in the last fiscal year). It can be said that it is only a matter of time before fiscal resources can no longer accommodate uncontrolled loans by the HLC.

While consumers shifted toward HLC loans, private-sector housing loans languished. New loans declined at a double-digit percentage rate from fiscal year 1990, and although they increased by 14 percent in fiscal year 1993 over the prior year at banks throughout the country, there is no denying the fact that private-sector loans still lagged in view of the 57-percent increase recorded by HLC in the same period.

Recovery in private-sector loans was conspicuous beginning in this fiscal year and it appears this phenomenon was partly attributable to home buyers rushing to borrow to avoid higher long-term interest rates which began to climb in January. However, it is probably premature to consider the development as signaling a resolution of the structural problem of over-dependence on the HLC for housing loans. Even the variable interest rate housing loans newly initiated by city banks in the latter part of August are not expected to play a decisive role in regaining market share by the private sector.

The new type of loan is designed to move in tandem with the long-term prime rate (preferred loan rate), and is set at 1 percent above the short-term prime. It appears that the decontrol of interest rates has reached housing loans and has increased the available options.

However, the developments warrant study to determine whether or not they represent good news to consumers. Interest rates tied to the short-term prime rate are obviously set at 0.3 to 0.4 percent below past long-term prime variable-rate loans. However, this phenomenon is attributable to the widening gap between long- and short-term interest rates starting at the beginning of this year and there is no guarantee that interest rates will be lower on all new type loans.

In fact, interest-rate trends of the past five years show that between short-term prime variable-rate loans and long-term prime variable-rate loans, higher interest rates prevailed over longer periods in the case of the former.

Further, although it is said that certain of the city banks have been uniformly and adversely affected, regional financial institutions which set prime rates at a higher level than city banks have endeavored to fall in line by reducing their interest-rate margins. In any event, the fear is strong that interest-rate spreads will be narrowed so that the rates are all about the same.

The real significance of the creation of the short-term prime-tied type of loan lies elsewhere. Decontrol of interest rates have led to the situation in which the capital-procurement structure of financial institutions is easily exposed to interest-rate risks. Facing such a situation, financial institutions are doing as much as possible to avoid mismatch situations relative to interest rates between their borrowing and lending operations.

This is the very reason why banks have been making active use of derivatives such as swaps to exchange variable-interest and fixed-interest instruments. Issuance of short-term prime-tied housing loans is one facet of such risk-avoidance operations and demonstrates that the ultimate interest-rate risk is assumed by the consumer.

The individual consumer finds it easier to prepare a lifetime plan if he can take out a long-term, fixed-rate housing loan. However, financial institutions insist on recommending variable interest rate loans and are reluctant to issue fixed-rate loans. This is why most consumers gravitate toward long-term fixed-rate loans issued by the HLC.

New types of loans with fixed rates and accompanied by swaps have been adopted by a very limited number of city banks. Even if an individual consumer attempts to minimize interest-rate risks associated with long-term borrowing through long-term management approaches, his options are limited. Instruments such as bank debentures and loan trusts are not adequate for the purpose of covering risks.

Even stocks that should serve as long-term investment assets pose a problem in terms of low dividend payouts. Individual consumers are now limited to government bonds and fixed-amount bank deposits in terms of long-term fixed investments.

Such investments correspond to the money flow emanating from the fiscal investment and loan funds for which the MOF Fund Management Division serves as an intermediary. Fiscal investment and loan funds that originate from postal savings and public annuity funds flow to the HLC and are used to issue HLC housing loans. In this case, both funding source and loans issued are managed on a long-term basis, which facilitates the balancing of the accounting side of the HLC operations.

The gigantic "heart bypass operation of sorts" cannot be considered simply as a "supplemental system to aid the private sector." We believe it could be called a reflection of the structural inconsistencies which have forced the government to become the sole dispenser of housing loans because private-sector financial institutions are unable to assume the associated long-term, fixed risks.

One reason why the private sector cannot compete with the HLC in the area of long-term, fixed-rate loans is that it does not enjoy interest-rate subsidies to the tune of 400 billion yen a year. However, interest-subsidized HLC loans are limited to borrowers earning less than 12 million a year and to homes with less than 165 square meters of floor space, which means that not all borrowers can rely on this system.

We must not forget the fact that private-sector housing loans from financial institutions are being suppressed by the difficulties encountered in the disposal of bad loans and the high personnel costs of banks.

Bank of Japan officials lament the fact that, "Japan lacks risk capital." We can only say that it is ironic that the decontrol of the financial system which was supposed "to enhance the convenience of consumers" actually caused a disintermediation from private-sector housing requirements. Distortions in the recycling of 1,000 trillion yen in individual savings represent a contradiction which underlies the very core of the government-private-sector housing loan situation.

Reportage Concerning Current Economic Status

2.4 Percent Growth Possible

OW2209044194 Tokyo KYODO in English 0236 GMT
22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—Top government economic planner Masahiko Komura said Thursday [22 September] the government's projection of 2.4 percent economic growth in fiscal 1994 can be achieved as the economy is headed for recovery.

"I wish to achieve the projection by putting the economy promptly on a full-scale recovery," Komura, director general of the Economic Planning Agency, said at a press conference after a regular cabinet meeting.

"This is a possibility, though it will not be easy," Komura added.

Since the 0.4 percent fall in Japan's gross domestic production (GDP) for the April-June quarter, announced Wednesday by his agency, was expected, "it is not necessary to change the agency's belief that the economy is headed for recovery," Komura said.

The agency has judged the economic conditions not only from statistics for the second quarter of this year but also from various subsequent data, he said.

Majority of Firms Optimistic

OW2209043894 Tokyo SANKEI SHIMBUN in Japanese 18 Sep 94 Morning Edition p 1

[Text] As of 17 September, the results of a survey conducted by SANKEI SHIMBUN questioning 111 major firms on the state of the economy showed that over 80 percent of the respondent firms replied that the economy "is improving," indicating that a majority of business executives have judged the economy is on the path to recovery. However, most of them are still cautious about the economic outlook. For example, about two-thirds of business executives think full-fledged recovery will not take place until after January 1995.

In its monthly economic report announced on 9 September, the government essentially declared that the economy is on the path to recovery, saying: "Although the economy is in an adjustment phase, notably of corporate capital investment and others, bright signs have been appearing recently, and it is moving toward recovery at a gradual pace." The results of the SANKEI survey showed that, although private businesses take a more cautious attitude, they share the same view as the government.

Of the firms that responded to the survey, 86 percent said the economy "is improving," far surpassing the 5 percent which said it "is in a poor state."

Meanwhile, asked about when they fell the economy will move toward full-fledged recovery, 21 percent said it would take place in "January-March 1995," while 31 percent cited "April-June 1995," and 11 percent said it would happen "after next summer." Thus, two-thirds of the respondent firms think full-fledged recovery will take place next year. This figure surpasses the 14 percent which replied that the economy "has already recovered and the 19 percent which cited "October-December 1994" as the period when the economy would start on the path to full-fledged recovery. Thus, it was learned that many business executives strongly feel that although the current recession has tentatively hit bottom, it will still take some time for the economy to move toward full-fledged recovery.

Regarding their current financial state, 37 percent of the respondent firms replied that they were "still in a hazy state," surpassing the 30 percent which said they were "on the upturn."

Asked what financial problems they faced, 25 percent of the respondent firms cited a drop in profit, followed by 24 percent citing a drop in the price of their products and 19 percent citing the yen's appreciation against other currencies.

As part of their efforts at restructuring, industries have undertaken manpower curtailment. In this connection, firms were asked about their current labor situation. Of the respondent firms, 47 percent said their labor force

was "slightly over-staffed," and 6 percent said they were "over-staffed." Added together, the figure exceeds 50 percent.

Regarding plans to invest in plants and equipment which is considered to be instrumental in pulling the economy toward recovery, only 17 percent of the respondent firms replied that they "plan to increase investment in the future," while 52 percent said they plan to maintain investment "at the current level," and 25 percent said they "plan to curtail investment."

Major Firms Confident

OW2209142494 Tokyo KYODO in English 1131 GMT 22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—Major Japanese companies grew more certain about business, with the business confidence index turning into the plus side in the July-September period for the first time in three years, the Finance Ministry said Thursday [22 September].

According to the ministry's survey in August, the business survey index (BSI) stood at 0.9 among major corporations in the three-month period, improved from a revised figure of minus 6.9 in the preceding quarter.

The index is the difference of between the percentages of those saying conditions have improved and those claiming it has not.

Although similar indexes for smaller firms were still in the minus column, the pickup among major companies suggests that the economy is continuing its gradual recovery, the ministry said.

Among major corporations, the index stood at minus 0.4 in manufacturing sectors, but came to 1.7 in nonmanufacturing sectors, the first plus figure in 11 quarters.

The figure among medium-sized companies stood at minus 9.3 and that among small firms was at minus 18.6.

Expectations at major firms for the October-December period yielded a positive index of 5.1, while those of medium-sized firms improved slightly to a minus 1.4.

In the first quarter for next year, expectations were positive in all categories.

Firms expected an average 1.0 percent increase in sales in fiscal 1994 and a 10.4 percent rise in pretax profit.

The survey also showed the labor surplus showed almost no improvement from the previous quarter.

The research covered 9,754 companies capitalized at 10 million yen or more, excluding financial institutions and insurance concerns.

MITI Seeks To Recover Global Competitiveness

OW2309065594 Tokyo MAINICHI SHIMBUN in Japanese 22 Sep 94 Morning Edition p 9

[Text] To seriously tackle industry computerization, an area in which Japan lags considerably behind the United

States, the Ministry of International Trade and Industry (MITI) announced on 21 September that it would establish an industry computerization subcommittee under the Industry Structure Council (a consultative body of the minister's office). The subcommittee will be chaired by Stanford University Professor Kenichi Imai and begin its deliberations on 27 September. It is scheduled to complete its general policy recommendations by next spring.

American business, which was in a recession in the latter half of the 1980s, has made dramatic progress in computerization. It has experienced a recovery in international competitiveness via, in part, vast industry information networks which have been constructed through the spread of PC communications and the introduction of workstations.

However, at this point Japan is far behind the United States because there has been no spread of computerization among private enterprises and business groups, and no progress in the standardization of information systems and the adoption of an open systems architecture. MITI decided to create the subcommittee because it concluded that if it did not promote industrial computerization, it would be difficult for Japanese industry to recover its international competitiveness.

Toyota Reports Increase, Nissan Decrease in Sales

OW2009063194 Tokyo KYODO in English 0521 GMT
20 Sep 94

[Text] Tokyo, Sept. 20 KYODO—Toyota Motor Corp. on Tuesday [20 Sepember] reported sharp year-on-year increases in domestic production, domestic sales and exports in August, but rival Nissan Motor Co. reported steep declines in production and exports. Nissan's domestic sales rose marginally from a year earlier.

Both companies reported sharp rises in overseas production.

Toyota said its domestic production in August was up 6.4 percent at 234,576 for the first year-on-year gain since June.

Domestic sales went up 14.6 percent to 119,023, marking an increase for the third consecutive month, while exports increased 6.8 percent to 106,586, also rising for the third straight month. Its overseas production rose 9.8 percent to 85,235.

Nissan reported its domestic production in August was down 19.9 percent at 96,517, a decrease for the 26th consecutive month. Domestic sales were up 0.8 percent at 57,991 for the first increase in 11 months but exports decreased 11.7 percent to 45,364 for the first fall in three months. Nissan's overseas production increased 8.4 percent to 80,481.

Government Considering Rice Production Cuts

OW2109122694 Tokyo KYODO in English 1150 GMT
21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—A senior Agriculture Ministry official has hinted at the possibility of Japan tightening rice production cutbacks in the 1996 rice year when a new rice output adjustment program takes effect, ruling party sources said Wednesday [21 September].

The sources in the Liberal Democratic Party said the suggestion was made by Eisuke Hinode, director general of the Agricultural Production Bureau, at a meeting of the party's agricultural group Wednesday.

The production cut will follow two years of relaxation in the nation's rice production adjustment in 1994 and 1995 to raise the government stockpile to 1.3 million tons in the wake of the 1993 harvest, the worst in the postwar period.

The Agriculture, Forestry and Fisheries Ministry predicted a bumper rice harvest this fall.

The possible production adjustment is likely to draw strong protests from farmers as it follows the beginning of Japan's rice imports under an agreement reached at the Uruguay Round of world trade talks last year, industry sources said.

Under the agreement, Japan will import 4 to 8 percent of its annual rice consumption over a five-year period starting in April 1995.

Ministry officials said imported rice would be used mainly for processing instead of table consumption.

The party panel later drafted a rice management plan seeking government maintenance of 1.5-2.0 million tons of rice in stockpiles as preparation for poor harvests, the sources said.

They said the plan also called for the government to purchase rice from farmers complying with its production cutback program at reasonable prices and allow rice wholesalers to engage in distribution in line with deregulation.

The blueprint will be incorporated into a comprehensive agricultural program to be worked out at a Thursday meeting of the party's research commission on comprehensive agriculture and submitted to an agricultural project team of the ruling coalition parties, they said.

Keidanren, Agency Head on Administrative Reforms

OW2109044694 Tokyo KYODO in English 0325 GMT
21 Sep 94

[Text] Tokyo, Sept. 21 KYODO—Japan's top business lobby asked the government Wednesday [21 September]

to create a working committee to promote administrative reforms and appoint nongovernment officials to the body, business officials said.

They said top leaders of the federation of economic organizations (Keidanren) made the request in a meeting with Tsuruo Yamaguchi, director general of the Management and Coordination Agency.

Keidanren Chairman Shoichiro Toyoda and Vice Chairman Isao Nakauchi met Yamaguchi to discuss administrative reforms and local autonomy.

Yamaguchi told the executives that the government seeks an early enactment during the extraordinary Diet session of legislation to establish a administrative reform committee to monitor the progress in economic deregulation, the officials said.

Government To Review Public Spending Program

OW2209145494 Tokyo KYODO in English 1441 GMT
22 Sep 94

[Text] Tokyo, Sept. 22 KYODO—Prime Minister Tomiichi Murayama ordered Thursday [22 September] a review of the current 10-year public investment program by the end of October in order to write a new one, government officials said.

Under the current scheme, the government is to spend 430 trillion yen on public works projects over a 10-year period until 2000.

Former Prime Minister Morihiro Hosokawa had tried to review the program as part of a sweeping economic reform in the hope of drafting a new program by the end of June.

But the review was delayed due to contentious debate over tax reform and how to raise funds for public works projects.

Under Hosokawa's instructions, the Economic Planning Agency had been working on a review, with an eye on raising investment to 600 trillion yen.

Firms To Phase Out Traditional Employment System

OW1609141094 Tokyo KYODO in English 1259 GMT
16 Sep 94

[Text] Tokyo, Sept. 16 KYODO—A report to be published by the Labor Ministry forecasts that Japanese companies will phase out the traditional seniority-based employment system and introduce one based on merit in the future, ministry sources said Friday [16 Sep].

While the report says merits of the traditional system should be retained as much as possible, it stresses the need to introduce a new career system to facilitate job changing, they said.

The report says that Japan has managed to maintain the traditional system because it has achieved sustained economic growth and its labor costs have stayed at a level that does not threaten its international competitive power.

The report says the system has minimized unemployment, promoted enthusiasm toward work and facilitated personnel training.

However, the scheme is losing some of its strong points due to the prolonged recession, the yen's steep appreciation on the foreign exchange market, an increase in the middle-aged working population and women's advance into the job market, the report says.

*** Prince's Wartime Criticism of Military Revealed**

*** Prince Mikasa Interviewed**

942B0156A Tokyo *THIS IS YOMIURI* in Japanese Aug 94 pp 40-59

[Interview with Takahito, Prince Mikasa, by Kunimi Nakano, chief, YOMIURI SHIMBUN Research Headquarters, in Tokyo: "Prince Mikasa's 'Dangerous Document' Discovered"; date not given]

[Excerpts] The 50th anniversary of the end of World War II will arrive on 15 August 1995. We have rebuilt our nation, which was reduced to ashes after the war, and today enjoy the fruit of our efforts, prosperity. However, half a century ago, during the last days of the war, we were proclaiming victory and screaming, "Kill the American and British brutes," despite the fact that we were experiencing setbacks in the Chinese and Pacific theaters, and fighting futile battles.

Under those extraordinary conditions, Takahito, Prince Mikasa, was assigned to China as staff officer in the Chinese Expeditionary Forces. He witnessed the situation there with his own eyes and realized that the Japanese military was devoid of both remorse and humility. His Highness composed a document, a plea to the military to renounce its aggressive policies. That document has been discovered in the National Diet Library, 50 years after it was written. Prince Mikasa has now been reunited with this historic document, through the efforts of this publication to confirm the facts. [passage omitted]

Prince Mikasa agreed to allow our editorial staff to interview him at his official residence in Moto Akasaka. His Highness is now 78 years old, though he looks younger, and appears to be in excellent health. For an hour and a half, he described the conditions he witnessed 50 years ago, as well as his current views on the subject, demonstrating great interest the entire time. When asked what motivated him to write this document, and about his state of mind at the time, he replied, "I heard about atrocities committed by Japanese soldiers, and I actually witnessed them with my own eyes. I composed the document because I felt compelled to put a stop to the

atrocities, and because I wished to bring the war to an end." "Because of its content, what I had written was deemed a 'dangerous document' by the Chinese Expeditionary Forces, and destroyed." "However, the sentiments I expressed agreed with those of Emperor Showa. Furthermore, they were of such a nature that only a member of the imperial family would have dared to voice them." About the Nanjing [Nanking] Incident, and Japanese atrocities committed there, the prince stated, "When a prisoner of war is murdered brutally, that is a massacre. It does not matter how many people are killed," and "When Japan withdrew from the League of Nations, a new, misguided trend was established, namely, the belief that it was not necessary to abide by international law."

After the war, Prince Mikasa became a research student at Tokyo University, and later a historian. He has attracted attention through his opposition to Empire Day [anniversary of Emperor Jimmu's (660 - 585 B.C.) accession], and through his habit of commuting by train. However, until this document was discovered, there had been no record of Prince Mikasa's having made a statement of such substance about the Pacific War. In the document, and in this interview, one senses his straightforward, sincere, and scholarly nature. This testimony given by the Emperor Showa's younger brother, Prince Mikasa, is that of someone who knew the times because he lived through them. It will be a valuable resource when the history of the Sino-Japanese War is rewritten, one that should not be neglected.

Precisely 50 years ago, during the Second Sino-Japanese War, Prince Mikasa, using the name Wakasugi, wrote an essay critical of the war entitled *Reflections of a Japanese on the China Incident*, at the General Headquarters of the Chinese Expeditionary Forces. The THIS IS YOMIURI editorial division made the following requests of the prince: 1) that he verify that he had indeed written the essay; 2) that he allow us to print it in our publication; and 3) that he describe the circumstances of the times. Prince Mikasa responded in the affirmative.

Having delivered the essay and expository commentary on it to Prince Mikasa in advance, we visited his official residence in Moto Akasaka, Minato Ward, on May 12, and spoke with him for an hour and a half. Since he was being reunited with a document that had been classified as a "dangerous document," confiscated, and burned by the military authorities, His Highness showed a great deal of interest in our project. He was kind enough to tell us, with enthusiasm, about the conditions he witnessed at that time, about Emperor Showa's and his own personal opinions of the war.

During the interview, Prince Mikasa told us that Japan needs to maintain a cordial relationship with China, one that overcomes differences in the two nations' cultures and customs. He also said that, even though it had not actually won the Sino-Japanese or Russo-Japanese wars,

Japan suffered from delusions of military might, and that Emperor Showa had agonized over his differences with the military authorities. His words are a precious "testimony" that can be fully comprehended only by those familiar with the times. His comment that we must continue to feel remorse over that tragic war will certainly evoke a sympathetic response.

The drawing room of Prince Mikasa's residence, where the interview took place, measures approximately 16 tatami [one tatami = 76 x 78 cm]. The room was modestly appointed, containing nothing aside from two suites of furniture. The garden, visible through a window, was simply a lawn, and seemed rather drab.

After we were shown into the drawing room and had waited there a while, the door opened suddenly and, to our surprise, Prince Mikasa appeared, alone and unattended.

We had been told previously not to bring cameramen or stenographers with us. We asked the prince if we might be permitted to use a tape recorder. He replied, "No, I'd prefer that you refrain from doing that." Nevertheless, he listened attentively to our questions and, once he was sure of their meaning, responded to them. His replies were articulate and enthusiastic.

Twice or three times during the interview, we were served green tea and sweets. Each time refreshments were brought in, the prince would say, "Please help yourselves." During the course of the interview, Prince Mikasa also partook of the refreshments. However, if we were asking him a question, he would refrain from putting food he was about to eat into his mouth and, still holding the plate of sweets in his hand, would listen intently, not moving a muscle, which embarrassed us.

At one point, the prince went into another room, and returned with detailed biographical material which he had annotated in his own hand. Also, he was kind enough to lend us two books, *Recollections of Tatsuo Kimura* [kimura tatsuo san wo shinonde] (a collection of essays *in memoriam* for a man who was active for a long time in China as an interpreter, and who had taught Prince Mikasa Chinese), and *Masanobu Tsuji—The Story of a Soldier* [gunjin, tsuji masanobu] (written by [Yaichiro] Nagaoka, and published by Fuji Insatsu), that might help us in preparing our article.

After more than an hour and a half had elapsed, the interview ended. When we took leave of him, Prince Mikasa escorted us to the door. We were again awestruck, and were moved by his lack of ostentation and his sincerity.

Takahito, Prince Mikasa

Prince Mikasa was born into the imperial family on 2 December 1915. He is now 78 years old. He is fourth in line for succession to the throne, after the crown prince, Prince Akishino, and Prince Hitachi. Prince Mikasa is an orientalist. He was born the fourth son of Emperor

Taisho and Empress Teimei, and is the younger brother of the late Emperor Showa. His childhood name was Suminomiya. He received his elementary and secondary education at Gakushuin. He then completed a preparatory course at the Military Academy, proceeded to the regular course and, having completed a course in signals at the Cavalry School, graduated from the Military Staff College in December 1941.

Since the name Prince Mikasa uses on his personal possessions is "Wakasugi," he sometimes goes by that name. For instance, his *haiku* pen name is "Mikasunomiya Wakasugi," and during his days in the military, he was known as "Staff Officer Wakasugi."

In January 1943, using the name "Officer Wakasugi," he was assigned to Nanjing as a staff officer in the Chinese Expeditionary Forces, with the rank of captain. His entry in the *Contemporary Biographical Dictionary* [gendai jinbutsu jiten] states that "the prince expressed an opinion critical of the deterioration of military rules and the massacre of prisoners of war. However, his opinions were muzzled, and never saw the light of day." In August 1944, he was promoted to major. Subsequently, he served as staff officer in the Imperial General Headquarters, held a position with the Armored Division Headquarters, and was staff officer in the Air Services.

After the war, he enrolled in the Literature Faculty of Tokyo University, doing research on Western and ancient oriental history. He taught for many years at Tokyo Women's University and Aoyama Gakuin University, holding intensive courses at Hokkaido University, Tenri University, and Shizuoka University as well. Currently he is a visiting professor at the Department of Fine Arts of the Tokyo National University of Fine Arts and Music Department. He has done research at the London University School of Oriental and African Studies, and has received honorary degrees from Colombo University, Lancaster University, Ankara University, Sofia University, and Canakkale University.

When he was a child, he was known as the "children's song prince." After the war, he drew attention to himself through his self-criticism, commuting by train, and his opposition to Empire Day ([kigensetsu—anniversary of Emperor Jimmu's Accession). He has written a philosophical autobiography, *Monarchs, Graves, and the People* [teio to haka to minshu] (Kobunsha), in which he criticizes the imperial system. Among his other works are *Ancient Oriental History and I* [kodai oriento shi to watakushi], *History Begins Here* [koko ni rekishi hajimaru], *The Deities of Ancient Egypt* [kodai ejiputo no kamigami], and two translations, one of which is entitled *The Light of Ancient Culture* [kodai bunka no hikari].

Five children were born to Prince Mikasa and Princess Yuriko: Yasuko Konoe, the eldest daughter; Tomohito, the eldest son; Prince Katsura (Yoshihito), the second son; Masako Sen, the second daughter; and Prince Takanado (Norihito), the third son. The prince and princess have nine grandchildren.

Prince Mikasa has attended numerous international conferences, and has traveled widely. He has visited approximately 30 nations. The prince is honorary president of the Japan-Netherlands Society, honorary chairman of the Publishers' Association for Cultural Exchange, honorary chairman of the Society for Middle Eastern Studies in Japan, president of the Center for Middle Eastern Culture [chukinto bunka senta], and honorary president of the Japan Society of Leisure and Recreation Studies.

The interview proceeded as follows.

[Nakano] Have you examined the material we delivered to Your Highness?

[Prince Mikasa] Yes. When I read it now, it seems a very difficult text. At the time it was written, the military used the formal literary style for all documents and orders.

[Nakano] We would like confirmation that Your Highness actually wrote this.

Felt Compelled To Write

[Prince Mikasa] Yes, I did indeed write this document. I also wrote the supplement to it, *The Mentetsu Collection* [literally, "cotton and iron" collection]. Before I departed for China, I underwent special training in Chinese affairs at the Military Division of Imperial General Headquarters (Staff Headquarters in peace-time), Second Section (Information Section). While I was in China, I received instructive information from many people. Therefore, I was able to form ideas about a variety of subjects.

At the time, I knew that something had to be done to end the war, and I was driven by those thoughts. I wanted to reread this material and when the opportunity presented itself after 50 years, thanks to Professor Shinichi Suzuki, I felt extremely nostalgic.

[Nakano] Did Your Highness choose the title, *Reflections of a Japanese on the China Incident?*

[Prince Mikasa] I believe so.

[Nakano] Would you be kind enough to describe the circumstances under which you wrote this document?

[Prince Mikasa] I was a staff officer in the Chinese Expeditionary Forces, General Headquarters, in Nanjing for exactly one year (from January 1943, as a captain, until January 1944, when he was promoted to major). Toward the end of my assignment, I was asked to present a farewell lecture to the officers at General Headquarters. Prior to my lecture, I addressed some questions to the young officers, which I asked them to answer. When I presented the lecture, I held a question-and-answer session with the respondents, and voiced my own opinions. On that occasion, every officer at General Headquarters was in attendance. This document is a compilation of that exchange.

Captain Masanobu Tsuji¹ (then lieutenant), who was company commander when I entered the regular course at the Military Academy (1934), was assigned to Nanjing as a staff officer while I was there. Since he had told me a great deal about Chinese affairs, I showed him the draft of my lecture in advance. I cannot remember whether or not Capt. Tsuji then showed it to Commander-in-Chief Shunroku Hata.

[Nakano] According to Professor Suzuki's commentary, the nature of this document is such that it could not have been written without the approval of the top-ranking officers of the Chinese Expeditionary Forces. Is his interpretation correct?

Document Confiscated, Destroyed

[Prince Mikasa] When you read it now, perhaps that is the impression you get. However, I heard that after I was transferred out of China, it was adjudged a "dangerous document," confiscated, and destroyed. When one views the situation in that light, it is clear that when I was there, the Expeditionary Forces were still not pervaded with that sort of atmosphere. I was able to express my views so boldly only because I am a member of the imperial family.

When I met the actor Hisaya Morishige at a film-related meeting many years later, he told me that he had seen the document I wrote in Manchuria during the war. I was quite surprised to hear that, since I had assumed that it no longer existed.

[Nakano] After Your Highness had returned to Tokyo, when, from whom, and how did you learn that your document had been destroyed by the Chinese Expeditionary Forces?

[Prince Mikasa] I have no memory of when I learned that, or of the names of the people involved.

[Nakano] Do you have any idea how this document found its way into material relating to Nobuyuki Abe² or what subsequently happened to this material? Furthermore, were you not in possession of the document?

[Prince Mikasa] Mr. Morishige was apparently doing some work involving broadcasting in Manchuria (currently the northeastern region of the People's Republic of China). Moreover, Mr. Daisaku Komoto, once a staff officer with the Kwantung Army, had a media assignment in Manchuria. Perhaps the document found its way there via the media route.

I must have had the document in my possession. The house in which I lived in Moto Akasaka was destroyed by fire, caused by a massive air raid on May 25, just before the war ended. The documents I kept in an air-raid shelter in a valley behind the house survived the fire. However, I was told that, due to Japan's defeat, we were going to be occupied by the U.S. military, so I spent an

entire day burning all documents of a military nature. Now, when I look back at that time with hindsight, I regret having done that.

[Nakano] Did the fact that Your Highness had written this document affect your work as a staff officer at Army General Imperial Headquarters or at Armored Headquarters?

[Prince Mikasa] I did not notice anything in particular. Of course, since I expressed my opposition to suicide attacks while I was a staff officer at General Imperial Headquarters, I must have been considered a suspicious character.

[Nakano] Could you tell us what led Your Highness to write *Reflections of a Japanese on the China Incident*?

Surprise at the Difference in Values and Customs

[Prince Mikasa] During the year I was assigned to China, I was dispatched to most of the key areas that the Japanese military had occupied. As a result, I saw and heard a great deal. I was surprised that there was so much difference between Japan and China, as far as values and customs were concerned. Anyone could see how the atrocities committed by the Japanese military would engender anti-Japanese sentiments among the Chinese people. However, I was sincerely disappointed that, due to cultural differences, the Chinese people resented, and could not tolerate truly well-intentioned measures taken by the Japanese on their behalf.

When they walk a cow or horse, the Japanese walk ahead of the animal and lead it by a rope. The Chinese do not use a rope, but instead, urge the animal on from behind. Furthermore, in Japan, a cormorant fisherman handles many cormorants at a time, using thin ropes. I marvel at their skills, but in China they have the cormorants catch fish, without using ropes. Their treatment of human beings is similar.

What particularly impressed me was the illusion that the Chinese and the Japanese share the same writing system and the same ethnic background. When we studied classical Chinese literature in school, we learned to read it by marking with *kaeriten* [marks made in the text to indicate the order in which the characters are to be read]. In other words, Chinese grammar is different from Japanese grammar. It is more like English grammar. Therefore, the Japanese and Chinese thought processes follow a different pattern, and the way the two peoples emphasize important points when discussing a subject differs as well.

Moreover, although both the Chinese and Japanese use Chinese characters, the same character often has a different meaning. For instance, in China, *kisha* ["steam" + "vehicle;" "steam-powered train" in Japanese] means "automobile." To express the concept of the Japanese *kisha* in Chinese, one must use *huoche* ["fire" + "vehicle"]. "Bicycle" [in Japanese, "jitensha;" "self" + "rotate" + "vehicle"] in Chinese is "zixingche" ["self" + "move" + "vehicle"].

I heard an anecdote about Japanese soldiers who, having occupied a Chinese farming village, and noticing that chickens were kept there, demanded eggs by writing *tamago* on a sheet of paper. The Chinese were astounded, and ran away. I did not hear what happened afterwards, but the Japanese soldiers may have become angry and, in the worst case, may have killed the Chinese villagers. The Chinese character for *tamago* ["luan," in Chinese] does mean "bird's egg," but it also means "testicles," the male organ. Therefore, it is not surprising that the villagers paled, and ran away when the soldiers arrived and asked for "testicles." If they wanted *niwatori no tamago* [chicken eggs], they should have written *jidan* ["chicken" + "egg"].

Antagonism between the two peoples arose from trivial, everyday problems like this one. There were so many of these problems that I was moved to write the *Mentetsu Collection*.

[Nakano] Upon reading this collection, we noticed that Emperor Showa's opinions are described in several places, and thought that perhaps Your Highness consulted His Majesty before you wrote them. Did you?

Aware of Emperor Showa's Position

[Prince Mikasa] Portions of my writing describe Emperor Showa's fervent desire for peace, and his implicit criticism of the military for behaving in a way that contradicted his wishes. I met with Emperor Showa, and was advised of his views both directly and indirectly. Therefore, I had every reason to believe that I had a good understanding of his opinions.

You ask if I consulted him before I wrote those pieces. My answer is unequivocally "no." Since, to the best of my knowledge, I was fully cognizant of Emperor Showa's views, I believe that I described them accurately.

It pained me that officers who had never met the emperor were continually saying, "It is the will of the emperor." When I pressed them, I found that the "will" of which they were speaking was their own will. At a council in the imperial presence toward the end of the war, Emperor Showa, who was also the commander-in-chief of all Japan's military, made a statement that intimated that he was not certain to what extent he should trust the information being reported to him by the Army. At what point did his and their views come to cross-purposes? What a shame that was!

In that respect, the New China Policy, intended to atone for the past errors of the Japanese military, to make the military to act justly, and to implement policies motivated by a sincere desire to benefit the Chinese people, which was issued by the Japanese Government immediately before I was assigned to China, was truly a godsend. Emperor Showa was quite pleased with the new policy, and prayed that it would be put into practice. Therefore, when I assumed my duties in China, I made that policy

my personal objective and, each time I was ordered to visit an area occupied by the Japanese military, I made it my mission to propagate it.

[Nakano] Other than Lieutenant Masanobu Tsuji, were there others in the Chinese Expeditionary Forces who shared your views?

[Prince Mikasa] There were many people who had spent numerous years studying China, and who had the right ideas but, unfortunately, their opinions were seldom reflected in actual policy.

[Nakano] Is it possible that Your Highness was prompted to write this document by a desire for peace with China? That idea has been suggested by Takashi Ito, professor emeritus of Tokyo University.

Breakdown in Negotiations Between Tsuji and Chiang Kai-shek

[Prince Mikasa] As Professor Ito intimates, my ultimate purpose was, of course, peace between Japan and China. Staff Officer Tsuji was strongly committed to that purpose, and arranged direct negotiations with Chiang Kai-shek³.

He was also instrumental in the decision to hold a memorial service for Chiang Kai-shek's mother⁴ in Chang's birthplace (Fenghua County in Zhejiang Province), south of the Yangzi, under the auspices of the Supreme Commander of the Chinese Expeditionary Forces.

Officer Tsuji had long been desirous of peace with the Zhongqing [Chungking] government. Secret negotiations were held with the other side, and Officer Tsuji made secret trips to Zhongqing. When he came to Nanjing to report on his activities, he must have had great expectations.

He received approval for his plan from Prime Minister Tojo, and I heard that the Emperor had also been advised of it in private. However, the plan was opposed by Lieutenant General Kaneshiro Shibayama, then military adviser to the Nanjing government (headed by Wang Zhaoming), and fell through. Given the position of the Nanjing government, anyone in Lt. Gen. Shibayama's place would likely have had no choice but to oppose the plan. One wonders whether the problem occurred when the prime minister consulted the adviser. Nevertheless, whether because of political strategy or other considerations, the leaders of the Japanese government, entrusted with the mission of protecting and fostering the Nanjing government, may have had no other choice. However, in retrospect, I regret that Mr. Tojo did not possess more political skill, since he was an administrative genius.

[Nakano] What were Emperor Showa's opinions about the attempts to achieve peace with China? Would Your Highness say that he was acting according to the Emperor's wishes?

[Prince Mikasa] Emperor Showa adhered strictly to the chain of command. Even though we were brothers, he never ordered me to do anything, since I was outside the chain of command.

[Nakano] Then, at the very least, was Your Highness's China assignment the emperor's wish?

Requested War Zone Assignment

[Prince Mikasa] After I graduated from the Military Academy, I was doing research on military history in the Research Division. I had announced that I would like to serve in a war zone when the time came for a transfer. It was the decision of the Personnel Bureau of the War Department to assign me to China. I believe that the minister of war subsequently submitted a report to that effect to the emperor. I have not been told what His Majesty's response was at the time.

[Nakano] Did Your Highness tell the emperor about the nature of the document you wrote, either officially or unofficially?

[Prince Mikasa] I have no recollection of having discussed this document in particular with His Majesty. When I saw or otherwise communicated with the emperor, I did have occasion to provide His Majesty with a partial description of the situation in China.

[Nakano] Whatever the case, Emperor Showa harbored a strong desire for peace. Then why, despite that fact, did the Army and the forces in China continue to expand the fronts? Wasn't this a source of extreme frustration for the emperor?

[Prince Mikasa] That can probably be traced back to the Manchurian problem. After the Russo-Japanese War ended, Japan acquired Guangdong [Kwantung] Province, which Russia had been leasing from China. The Kwantung Army was garrisoned there for defense purposes. At that time, Zhang Zuolin [Chang Tso Lin]⁵ was in control of the military forces in Manchuria. For a time, the Japanese supported him, but when he demonstrated tendencies toward independence, the radical staff officers in the Kwantung Army began to sense danger. They arranged for a train in which he was riding to explode in 1928, the year I entered middle school. That was the beginning of a series of incidents in which the lower echelons dominated the upper, against the wishes of the Japanese Government and top-ranking Army officers, and which led to the Pacific War. I do not think it is possible to imagine the anguish suffered by Emperor Showa during that period.

Nevertheless, the Manchuria Incident was no more than the proximate cause. The remote cause dates back to the Meiji Restoration (1868). After the Restoration, the Army adopted the French Army's systems. However, since France was defeated by Prussia in the Franco-Prussian War (1870-71), the Japanese Army converted to the Prussian (German) system.

The principal object of German military strategy was the short, decisive war, the *blitzkrieg*. Germany adhered to that strategy in World War I and World War II, and ultimately suffered defeat.

What I was taught every day, both when I was in the Cavalry Regiment, and at the Military Academy, concerned fighting a decisive war against the Soviet military in Manchuria. Virtually no thought was given to fighting a war with the United States or England. Nevertheless, when we entered the war on 8 December 1941, our opponents were the American and British military. Then our training hurriedly shifted to the waging of war against the Americans and the British. However, it was impossible to make sudden changes to traditions that had been in place since the Meiji era. While I was at the Academy, I heard a few lectures on the British-style war of attrition, but I recall that not much importance was attached to this type of war. Because of that, there was no possibility of our winning.

[Nakano] Japan continued to expand its battlefronts until ultimately it was driven into an impossible situation. This was extremely regrettable.

Illusion of Victory in the Russo-Japanese War

[Prince Mikasa] There were many courses taught at the Military Academy, but the greatest emphasis was placed on military strategy and military history. Before I entered the Academy, while I was serving in the 15th Cavalry Regiment in Narashino, among the many regimental commanders were some exceptional people who were teaching military strategy at the Academy. However, when they actually took command of a unit for maneuvers, we sometimes found ourselves surrounded by the "enemy," and losing. When brilliant strategists are confronted with situations that cannot be anticipated in textbook maneuvers, they vacillate, and end up making mistakes. I learned then that there was absolutely no resemblance between textbook military strategy and actual warfare.

On the other hand, some of the military history instructors were people whom one could respect for their charisma, as well as for their other qualities. For instance, we were told of an anecdote about a battle between the Minamoto and the Taira, in which the Taira soldiers were startled by the sound of wings of waterfowl taking flight in the middle of the night, and went into a panic. This anecdote was never mentioned in military strategy classes. It surfaced for the first time in a military history class. In other words, one learns about the human being in all his nakedness from military history.

In a lecture about the Russo-Japanese War, I heard that, for instance, units from Tohoku did very well in night battles and that, conversely, units from Kyushu distinguished themselves in daytime battles. That is perhaps because, since ancient times, Kyushu warriors believed that it was an honor to die a glorious death in front of their lord's horse. On the contrary, soldiers from Tohoku

apparently had a very strong sense of duty, and when they received an order from a superior, devoted themselves silently to their mission, whether or not anyone was observing them.

I was even more surprised when I learned, in another lecture, that the Japanese Army was not at all strong on the offensive. We had been told all about how Japanese soldiers were victorious in the Russo-Japanese War. However, when one studies military history in detail, one learns that, in most cases, Japanese units were able to occupy Russian positions only because the Russians had abandoned them in retreat. Furthermore, Russian troops retreated from their positions, one by one, in order to gain time while waiting for reinforcements to arrive from Europe via the Siberian Railway. When Russia finally surrendered, it did so not because it had been defeated militarily, but because it was faced with domestic political chaos. Here in Japan, we were under the illusion that the enemy was defeated by Japanese military might. I find it horrifying that that illusion continued into the Showa era.

However, Japanese troops did have defensive strength, which they demonstrated to particular effect when they were defending a position. Such strength probably stems from the traditional spirit of warriors dying a heroic death in defense of their castles, which existed from the time of civil warfare [1477-1573].

Incidentally, when the battles of the Sino-Japanese and Russo-Japanese wars were fought, the commanders were people who had lived through the era of great change before and after the Meiji Restoration. However, the Pacific War was fought after a long period of peace. Therefore, people who excelled at textbook military strategy rose up through the ranks, and assumed the top command positions.

The same might be said about politicians. I am impressed by the fact that so many foreign politicians make the effort to study history. I would like Japan's politicians to do the same, to take the time to make a thorough study of history.

There is something else I'd like to mention. During the year I spent in Nanjing, I was surprised to learn how great the differences were between the situation in Japan and that at the Chinese Expeditionary Forces headquarters. It was the same Army, but the philosophies and atmosphere were totally different.

For instance, at the beginning of 1945, American B-29's began bombing Tokyo⁶. Army authorities in Tokyo thought that we should attack the enemy's air bases in order to avoid the air raids. Perhaps I shouldn't say this, but in Nanjing, one did not sense a direct threat, since the B-29's bound for Tokyo only flew overhead, and Nanjing was not about to be bombed.

Tokyo was thinking locally, and insisted that the enemy bases be attacked, but that was a very difficult task.

Assaults on Zhongqing⁷ and Guilin⁸ were actually contemplated, and effected. However, they required troops to travel where there were no roads, and to attack with few soldiers and little equipment. There was no possibility of getting reinforcements or materiel to them. The view in Nanjing was, "How dare Tokyo tell us to do this," and it was perfectly understandable.

[Nakano] Recently, a statement made by a cabinet minister on the subject of the Nanjing massacre created a stir. It is regrettable that such statements have been made any number of times. What is Your Highness' interpretation of this problem?

Numbers Are of No Consequence

[Prince Mikasa] I get the impression from reading debates in newspapers and other publications that, for some reason, it is the number of people killed that is at issue. The dictionary defines "massacre" as brutal murder. In other words, the numbers are of no consequence. When I was in a war zone, I was horribly shocked to hear a young officer say, "The best way to teach new recruits to improve their bayonetting skills is to have them practice on live prisoners of war. That gives them guts." From that time on, I was haunted by doubts about the significance of the education I had received at the Military Academy.

Furthermore, at the General Headquarters in Nanjing, I saw a film showing a Japanese unit in action in Manchuria. In it, Chinese prisoners of war were bound to stakes, I believe, in an open field. Poison gas was released into the area, and poison gas shells were shot at them. It was a scene that truly made me want to cover my eyes. What was that, if not a massacre?

However, the Japanese military has not always behaved in this manner. Officers such as General Yasuji Okamura (native of Tokyo who taught for 16 terms at the Military Academy), stationed in Beijing, had been concerned for some time about breaches of military discipline, and had strictly prohibited the four evils (rape, looting, arson, and murder). When I went to Beijing, I personally heard Gen. Okamura say this.

I have been told that, during the Sino-Japanese and Russo-Japanese wars, even platoon commanders carried pamphlets on international law in their pockets. After the [Russo-Japanese] war, Russian prisoners of war were interned in Japan. During World War I, there were many German prisoners of war in Japan. They were treated in accordance with international law, and all of them became Japanophiles. Some of them even remained in Japan after they were released, and opened businesses here. Some of them opened bakeries in Kobe that are still thriving today.

[Nakano] The argument as to whether the Japanese possess an international sense aside, I do not believe that we are a bellicose people who relish committing atrocities. Why did these terrible things happen?

Foreigners Not Deceived by the Manchuria Incident

[Prince Mikasa] Soon after the assassination of Zhang Zuolin, which I referred to earlier, the Kwantung Army caused what is now called the Manchuria Incident⁹ on 18 September 1931. Despite the fact that the incident had been caused by Japanese soldiers, the Army announced, falsely, that "ruthless Chinese soldiers have blown up the railroad and ambushed our railway guards." The Japanese at home probably believed it, but foreigners were not deceived.

The League of Nations immediately established a committee to investigate the Japan-China dispute, and dispatched to Japan a commission headed by Sir [Victor Alexander] Lytton¹⁰. I was told by a high-ranking Army physician who was in Manchuria at that time that the survey team was served fruit deliberately contaminated with cholera bacteria. However, the plot ended in failure.

[Nakano] How could a decent Japanese conceive of serving fruit impregnated with cholera bacteria to representatives of a recognized international organization? It is difficult for me to believe that my fellow countrymen could conceive of committing so heinous a crime.

[Prince Mikasa] The Chinese filmed Japanese atrocities, and released them in the form of a film entitled *Victory March* [shori koshinkyoku]. I acquired a copy that had been confiscated in Zhongqing. When I returned to Tokyo to submit a report, I took it with me and showed it to Emperor Showa. Since the film was a Chinese production, it must have contained a great deal of propaganda. However, it is my opinion that most of the atrocities shown were actually committed.

Since, at that time, the Chinese referred to Japan *dongyang* [eastern ocean], they called the Japanese *dongyang gui*, or "devils of the eastern sea."

I no longer remember exactly how Emperor Showa reacted to the film, but I believe he was saddened by it.

[Nakano] Was the Kwantung Army responsible for all the evils that were perpetrated?

[Prince Mikasa] The Kwantung Army unquestionably committed gross errors. However, no incident in history is without cause. We should reexamine the circumstances behind the rise of the Kwantung Army, and attempt to discover why it behaved the way it did, from a historical point of view.

I'm going back a bit, but in 1929, a major event in world history occurred, namely, the Great Depression. The economic depression that began in the United States spread to Europe, resulting in a "great world depression." Japan experienced a similar, though unconnected, depression, which was compounded by the effects of the depression on Europe and the United States. It was in the midst of that depression that the Manchuria Incident occurred.

In January 1932, the Shanghai Incident took place. In March, Manchukuo was born, a result of the machinations of the Kwantung Army. In May, the 15 May Incident¹¹ took place in Tokyo. In March 1933, Japan withdrew from the League of Nations, and then antagonized the entire world. Then, the idea that they must abide by international law disappeared from the minds of the Japanese military. In 1936, we had the 26 February Incident¹², resulting in a major upheaval within the Japanese Army.

Why did such incidents occur, one after the other? Of course, there are always several causes for events in history, often intertwined. It may be dangerous to mention only one cause, but since it would be impossible to discuss the entire problem on this occasion, I will touch upon only one of the causes. That might be the depression in Japanese farming villages that began in the 1930's. That was a terrible tragedy.

Most of the soldiers acquired in the annual draft were from farming families. The officers who undertook the draftees' instruction and associated with them on an everyday basis were the most talented students from middle schools all over Japan, selected by testing both for scholarship and physical strength. Therefore, most of the instructors were members of the middle class. These young officers, filled with the idealism of youth, could not possibly have stood by in silence, being aware as they were of the deplorable conditions in the farming villages from which their charges, whose fates they would share, hailed. However, it is extremely regrettable that their sentiments were expressed in the form of the 15 May and 26 February incidents.

In those days, Japanese farmers viewed Manchuria as their only hope. One cannot blame them, but Manchuria was the territory of another nation. Its residents were citizens of another nation. If this were a case involving an individual, that individual would unquestionably have been charged with housebreaking. The Japanese military caused all subsequent problems by glossing over that fact, and attempting to justify its actions.

The puppet government, Manchukuo, was also created for that purpose. I feel terribly sorry for the former emperor of Manchukuo, the late Aisin Giorro Pu Yi. I met him many times; he was a very fine person. May his soul rest in peace.

Since invading even an individual's land is a crime, invading the territory of another nation must be viewed as aggression. If the Japanese Government in power then had managed the affair as the Meiji government had, with its South American emigration policy, the process might have taken place peacefully. The fact that Manchuria was so close to Japan, that the Japanese at that time harbored strong feelings of contempt toward the Chinese and, most important of all, that, as I mentioned previously, the Japanese were insufficiently aware that they had won the Sino-Japanese and Russo-Japanese wars not militarily, but politically, all contributed to the horrible conclusion.

Problems such as the ones I have touched upon today have by no means been fully resolved. They continue to exist, and it is entirely possible that they will arise again in the future. Therefore, we must not forget for a moment that we are not Europeans, and though we are Asians, our ethnicity, our traditions, and our customs are completely different even from those of the citizens of our neighbor nations. What is more, we must devote our maximum effort to achieving friendly relations with our neighbors, and peaceful coexistence.

[Nakano] Thank you very much for allowing us so much time, and for the valuable information you have imparted to us.

Footnotes

1. Masanobu Tsuji was a staff officer in the Kwantung Army who advocated a hardline policy vis-a-vis the Soviet Union. He was head of the Chinese Expeditionary Forces, Third Section, responsible for politics and logistics. After the war he was a representative in both the lower house and the upper house of the Diet. In 1961, Tsuji disappeared during a trip to Laos. Tsuji was declared dead in 1968.

2. Nobuyuki Abe (1875-1953) was a general in the Army who later served concurrently as prime minister and foreign minister. In April 1940, Abe was dispatched to Nanjing as ambassador extraordinary and plenipotentiary, where he negotiated with the new Nationalist government (headed by Wang Zhaoming).

3. Chiang Kai-shek (1887-1975), Chinese politician, was the head of the Nationalist government, which at that time, was fighting the Japanese forces. After the war against Japan ended, he was defeated by the People's Liberation Army, and fled to Taiwan, where he became president of the Republic of China.

4. Memorial Service for Chiang Kai-shek's Mother: *Masanobu Tsuji—The Story of a Soldier* ([Yaichiro] Nagaoka) contains the following passage: "One day, Prince Mikasa showed Staff Officer Tsuji a photograph of the scenery around Chiang Kai-shek's birthplace, and said, 'I would like to do something for Chiang Kai-shek's mother, even if it means only paying respects at her grave.' Tsuji felt that this was the will of the gods as well as the will of the Emperor. On 25 November 1943, the anniversary of Chiang's mother's death, a memorial service was held for all the war dead—Japanese, Chinese, military personnel, bureaucrats, and private citizens, for the first time since the beginning of the war. When Chiang Kai-shek was informed about the service, he cut short an important meeting, and retired to his room. His sobs could be heard from outside the door."

5. Zhang Zuolin: (1875-1928); Chinese politician, formerly a mounted bandit. Zhang suffered a crushing defeat from the Northern Expeditionary Forces of the Nationalist government. He was killed when his train

was blown up by the Kwantung Army as he attempted to enter Mukden [today Shenyang].

6. Tokyo air raids: The first air raid on Tokyo was launched by 13 B-25 bombers on 18 April 1942, and is referred to as the Doolittle air raid. The bombers took off from an aircraft carrier located in the Pacific Ocean, more than 1,300 kilometers from Japan proper.

In June 1944, 83 B-29 bombers launched from Chengdu (capital of Sichuan Province) in southwestern China bombed the Hachiman Ironworks in Kyushu. It was considered just a matter of time before air raids on Tokyo commenced. In July of the same year, Saipan fell. In November, more than 100 B-29's were moved to the airfield there from the Chinese mainland.

The first air raid on Tokyo by B-29's launched from Saipan took place on 24 November. Subsequently, air raids occurred on almost a daily basis. In the one that took place on 10 March 1945, 30 B-29's fired a total of 700,000 rounds, causing approximately 100,000 deaths. By 15 August, there had been a total of 112 air raids. Half of Tokyo had been destroyed by fire, and victims numbered 3 million.

It is estimated that throughout Japan, 147 cities were damaged by U.S. air raids, which claimed 9.64 million victims and caused approximately 500,000 deaths (research done by SHUKAN YOMIURI and other sources).

7. Zhongqing operation: This operation, which involved advancing on or attacking Zhongqing, where the Nationalist government was based, never took place. It was proposed in April 1942 and, in July, the Expeditionary Forces, with a view toward implementation, even submitted a report to the emperor. However, due to the worsening situation in Guadalcanal, and for other reasons, the plan was abandoned in December.

8. Guilin operation: This operation commenced on 27 May 1944, and was designed to strike U.S. air bases in Guilin, Chengdu, and other areas ranging from southeastern to southwestern China. A group of air bases in Chengdu was attacked on 26 October and, on 4 November, the Japanese succeeded in occupying the No. 1 airfield in Guilin. However, after Saipan fell, it would not have been possible to stave off air raids on Tokyo, even if all U.S. Air Force bases in China had been destroyed.

9. Manchuria incident: Incident in which a railway in Liutiaohu in northeastern Mukden (now Shenyang) was blown up in September 1931, and which led to Japan's war of aggression in northeastern China. The following year, Manchukuo was established and, before long, the Second Sino-Japanese War began.

10. Lytton Commission: After investigating the Manchuria Incident over six months, the team proposed designating the area as an unarmed territory under

international control, and submitted a report repudiating the Manchukuo regime established by Japan. In February 1933, this report was adopted, and Japan withdrew from the League of Nations. Lytton was a British politician.

11. May 15 Incident: A coup d'état staged by young Japanese naval officers. They shot Prime Minister Tsuyoshi Inukai to death, thus putting an end to his party's cabinet.

12. February 26 Incident: Coup d'état perpetrated by young army officers. They killed Lord Keeper of the Privy Seal Makoto Saito, Finance Minister Korekiyo Takahashi, and Inspector General of Military Education Jotaro Watanabe, and occupied central Tokyo. They were subdued, but after this incident, the military's power increased dramatically.

* Commentary on Wartime Document

942B0156B Tokyo *THIS IS YOMIURI* in Japanese
Aug 94 pp 78-86

[Article by Shinichi Suzuki, Kobe University professor:
"Reflections of an Imperial Family Member' Sees the Light of Day"]

[Text] A document in which Prince Mikasa, the youngest brother of Emperor Showa (fourth son of Emperor Taisho) expressed his doubts about the Second Sino-Japanese War, and which was written in January 1944, has been discovered. This document is entitled *Reflections of a Japanese on the China Incident*, and is on microfilm containing other documents relating to Nobuyuki Abe¹, which have been on exhibit at the Constitutional Government Research Room [kensei shiryoushitsu] in the National Diet Library since March 1992. The author is listed as "Staff Officer Wakasugi." Wakasugi is the name Prince Mikasa assumed while he was a staff officer with the Chinese Expeditionary Forces (source: *Comprehensive Dictionary of the Japanese Navy*).

These documents are a compilation of Prince Mikasa's statements and his exchanges with staff officers, entitled *Draft of a Training Program for Field and Company Officers Attached to the General Headquarters of the Chinese Expeditionary Forces*, and are printed on "Embassy of the Japanese Empire in Manchuria" stationery. A summary of the main points presented therein follows.

The first is Prince Mikasa's earnest plea to the Japanese military and the Japanese people to reflect on their actions, i.e., "At present, what is lacking in the Japanese people, the military in particular, are remorse and humility." His Highness, who also referred to the military's use of poison gas, expressed serious doubts about the war with China, waged under the pretense of being a "holy war," a "just war."

The second is that Prince Mikasa attributes Chinese resistance to Japan's policy of aggression. His Highness takes an unflinching look at the Japanese military's war crimes: 1) Japan's policy of aggression toward China beginning after the Meiji Restoration, 2) contempt for China beginning around the time of the Sino-Japanese War, 3) Chinese suspicions about the Manchuria Incident and subsequent Japanese inroads into North China, and 4) looting, rape, the killing and wounding of law-abiding citizens, and arson committed by Japanese soldiers. This document is of immense significance because it contains the unsparing observations of the author, one of the imperial family members closest to Emperor Showa, on Japan's war responsibility.

Furthermore, the reader is moved by the fact that Prince Mikasa, the younger brother of Emperor Showa, and a Japanese, had the forthrightness to criticize himself during the war. Therefore, this document affords one of the best sources of food for thought for the Japanese, and should cause us to think very seriously about the war that ended in defeat close to a half-century ago. This type of reflection is particularly necessary in a nation in which there is seemingly no end to statements such as the one made by our minister of justice, which claimed that the Nanjing Massacre was a fabrication.

Prince Mikasa's Actions and Emperor Showa's Wishes

When one reads *Reflections of a Japanese on the China Incident*, one gets the impression that it is unofficial research done by a staff officer in the Chinese Expeditionary Forces. If it was, it probably could not have been done without the permission or tacit approval of top-ranking officers at the headquarters of the Chinese Expeditionary Forces. If not, why did Prince Mikasa dare to criticize the war so boldly?

Though he was a member of the imperial family, when Prince Mikasa assumed his China assignment, he was a mere captain (a major in August 1943). However, the truth is that he was influenced by Emperor Showa's fervent wishes.

While Prince Mikasa was in China, he always acted with the emperor in the back of his mind. The prince, who assumed his assignment as a Chinese Expeditionary Forces staff officer in January 1943, paid his compliments to the officers of the 13th Army in Shanghai on September 22 of the same year. Highlights of his address were recorded, as follows.

"It is with great respect that I address you today to communicate some of His Majesty's concerns regarding the new China policy, and to again express our commitment to seeing that it is executed successfully. In early January of this year, when I visited the imperial palace on the occasion of my departure from Tokyo, His Majesty seemed extremely pleased that the new policy had been established. I sensed a strong commitment to the implementation of that policy.

"Although it was impossible for me to fathom the depths of His Majesty's mind, when I recall my impressions from previous, occasional audiences, I am certain that this new policy is, at least, more in accordance with his wishes than any prior policy."

"When I witnessed the imperial visage, and when I received the imperial command assigning me as a staff officer to the Chinese Expeditionary Forces, I became acutely aware of the important responsibility I shouldered." (*Highlights From Staff Officer Wakasugi's Address, The Nobuyuki Abe Documents*)

The "new China policy" mentioned here refers to the return of the Japanese concessions and the abolition of extraterritoriality, and other new measures to be taken. Japan had suffered setbacks in the Pacific theater. It had been defeated in the Battle of Midway (5-7 June 1942), and the onslaught of the U.S. counteroffensive in Guadalcanal had begun (7 August 1942). These measures were to be taken vis-a-vis Wang Zhaoming's (vice president of the Chinese Nationalist Party; Japan had installed a puppet government, the Chinese Nationalist government, with Wang Zhaoming at its head, in Nanjing in March 1940, in order to establish more control over the Second Sino-Japanese War) government.

Minister of Greater East Asian Affairs Kazuo Aoki was one of the advocates of this new policy. Aoki made the following statement at an Imperial General Headquarters government liaison conference. "Causing the Nationalist government to enter the war is a most extreme step, and our last resort, as far as China policy is concerned... we should think twice about adopting it wholesale." (*The Sugiyama Memorandum, Part 2*; Hajime Sugiyama was then chief of the General Staff). In other words, this was the last resort for China policy. It was a political resort that would be taken if the Sichuan operation, intended to force the surrender of Chiang Kai-shek's Nationalist government in Zhongqing, became impossible to implement due to the worsening situation in Guadalcanal.

Emperor Showa Enthusiastic About New China Policy

Emperor Showa was extremely enthusiastic about this new policy. He had been searching for a way to end the Second Sino-Japanese War, which had become increasingly problematic. The emperor was quick to support the views outlined in a draft of the new policy submitted by Mamoru Shigemitsu (appointed ambassador extraordinary and plenipotentiary to China in January 1942, and foreign minister in April 1943). Shigemitsu describes the course of events leading to the adoption of the "New China Policy" in his memoirs, *The Tumultuous Showa Era [showa no doran]*, published after the war, in 1952.

"I returned to Tokyo many times and, on those occasions, briefed government, military officials, and others in important positions, and urged them to reshape a policy of this import, and explained my reasons for doing so. The emperor accepted my suggestions in their

entirety. To comply with His Majesty's wishes, Prime Minister Tojo also resolved to implement them gradually, and made strenuous efforts to unite the various sections of the Army."

On 9 November 1942, Emperor Showa actually did something quite unusual for His Majesty, i.e., he caused the suggestions Shigemitsu proposed in the imperial presence to be implemented (*The Diary of Koichi Kido*, Vol. 2; Kido was then Lord Keeper of the Privy Seal). This entry provides evidence that Shigemitsu's recollections are quite accurate.

There is more evidence. Hideki Tojo, serving concurrently as foreign minister and minister of war, himself changed his attitude toward Wang Zhaoming's government within a three-month period. The Wang government, motivated by a desire to justify its existence, had asked Japan for permission to enter the war against the Americans and the British. At first, Tojo had been singularly unenthusiastic about this request (liaison conference between Imperial General Headquarters and the government held on 25 July 1942; source: *The Sugiyama Memorandum*, Vol. 2). However, in September 1942, Tojo told Shigemitsu that he intended to implement the new China policy (*The Tumultuous Showa Era*, Vol. 2). Furthermore, at an Imperial General Headquarters liaison conference with the government held on 29 October, Tojo demonstrated a positive attitude toward the Wang government's entering the war (*The Sugiyama Memorandum*).

On the following day, Emperor Showa admonished Tojo as follows: "Some rightists and elements in the military are under the mistaken impression that the spirit of *hakko ichiu* should be achieved by force."² The emperor also reminded Tojo of the necessity of changing his ideas on China policy.

"I once heard Zhang Qun³ say, 'Western diplomacy removes the contents and leaves the box. Japanese diplomacy takes away the box and leaves the contents behind. Even if you take the contents, the spirit of the Chinese people, away from them, leave the box behind.' I believe that these remarks are of great significance in terms of diplomacy" (*Secret Diary of Prime Minister Tojo*).

"Tojo, who was extremely loyal to the emperor's wishes, changed his attitude⁴. On 25 December 1942, he told Wang Zhaoming, who was in Japan for a visit, 'This time, Japan's position has changed completely. I would appreciate it if you could avoid being caught up in what has happened previously'" (*Secret Diary of Prime Minister Tojo*).

Chinese Expeditionary Forces Commander-in-Chief Shunroku Hata, who at first reacted to the new policy quite coolly, eventually wrote the following in his diary.

"We must faithfully execute this policy, since the decision to do so has been made at a council in the imperial

presence. We must do so, even though that would mean making a 180-degree about-face, even though the policy is not in conformance with the prevailing conditions in China, and even though, since it entails strengthening an extremely weak government, its chances of success are exceedingly unlikely" (*Sources for the Study of Contemporary History*, Series II, Vol. 4, *The Army; Diary of Shunroku Hata*, entry for 26 December 1942).

On 9 January 1943, a "joint Sino-Japanese declaration of cooperation in efforts to win the war" was issued, and an "agreement regarding the return of concessions and the abolition of extraterritoriality" was concluded between Japan and the Republic of China. The Japanese Government had arranged these in a hurry, because it had received information that the abolition of extraterritoriality in China, and other issues were to be brought before the U.S. Congress (ibid., entry for 8 January 1943).

Then, Prince Mikasa was transferred "per His Highness' request" (ibid., entry for 14 January 1943), and assumed his post as a staff officer in the Chinese Expeditionary Forces. According to Mamoru Shigemitsu, this assignment was in accordance with the wishes of the emperor. In *The Tumultuous Showa Era*, Shigemitsu writes the following:

"The emperor was fully aware of the significance, both at home and abroad, of the new policy, and hoped that it would be carried out. He urged Prime Minister Tojo to do so, and approved the transfer of Prince Mikasa to the [combined headquarters in China—chuushi sougun shireibu] for the express purpose of having him observe the implementation of the new policy.

"Therefore, having arrived in China, Prince Mikasa presented the following greeting to an audience composed of Chinese Expeditionary Forces personnel with the ranks of division and section chief and above, on 25 January.

"Before I proceeded to my new assignment, I had an audience with the emperor. His Majesty is extremely interested in the new China policy. He specifically expressed the importance of executing that policy, which I now convey to you" (*Diary of Shunroku Hata*).

Thus, the new policy was espoused in its entirety by the emperor and Prince Mikasa, acting in concert. According to a memorandum written by Mamoru Shigemitsu, who had been installed as foreign minister on 20 April 1943, the emperor, on 23 April, urged him, "Look here! Be certain that you handle the China problem properly" (Shigemitsu memorandum).

On 13 May, the emperor repeated his request to Shigemitsu, as follows:

"You will be subject to all sorts of criticism of your handling of the China problem, but you must ignore that

criticism, and devote all your efforts to the thorough execution of the new policy. It must not be reversed" (ibid.).

One can sense Emperor Showa's firm resolve in his words to Shigemitsu. His Majesty received a field report from Chief of the General Staff Sugiyama, who had completed an inspection tour of Nanjing, and praised the efforts of the Chinese Expeditionary Forces in carrying out the new China policy (letter from Sugiyama to Hata in the *Diary of Shunroku Hata*, entry for 15 May 1943). Emperor Showa also sent a letter of encouragement to Prince Mikasa, in which he wrote, "The one and only path for Japan is to execute the new policy to the letter and, in particular, to win the hearts of the Chinese people" (op. cit., *Highlights From Staff Officer Wakasugi's Address*). The emperor showed extraordinary concern about the Chinese front. There is no doubt that Prince Mikasa's actions were a reflection of his wishes.

However, on 29 May, immediately after the emperor had praised the Chinese Expeditionary Forces' response to the new China policy, the Japanese garrison at Attu Island was defeated. On 30 June, U.S. troops landed at Rendova Island (Solomon Islands) and at Nassau Bay (New Guinea). After that, it became obvious that Japanese forces were going to experience total defeat. In those difficult days, the emperor's attention gradually came to focus on the Pacific theater.

Prince Mikasa's Criticism of the Japanese Military and the Japanese People

From the foregoing, we see that Prince Mikasa's actions were premised on the fervent desires of the emperor. The culmination of those actions was *Reflections of a Japanese on the China Incident*.

In the first part of his research, the prince is implicitly critical of "the reasons given for dispatching troops on the occasion of the Manchuria Incident" and "the reasons given for dispatching troops on the occasion of the China Incident." He also writes that "when I heard that Chiang Kai-shek was spreading propaganda critical of Japanese military cliques, I felt that his behavior was, at least to some extent, understandable."

In "Why Has the China Incident Not Yet Been Resolved?" in the second part of his research, which we cited at the beginning of this article, Prince Mikasa examines the issue of the responsibility of the Japanese people. Furthermore, according to the *Diary of Shunroku Hata* entry for 28 May 1943, after arriving in China, Prince Mikasa "inspected most of the [occupied] areas, with the exception of Baotou and Guangdong." Therefore, Prince Mikasa's perspective was based on what he had witnessed with his own eyes.

What he had seen led Prince Mikasa to engage in this type of research. He points out that Japan's war and Japanese control completely ignored Chinese public sentiment "because military personnel engaged in Japanese-style politics in China without sufficient understanding

of Chinese history, geography, traditions, or of the character, morals, or customs of the Chinese people."

In other words, Prince Mikasa is indicating that Japan could not bring the war to an end precisely because of the oppressive systems it instituted. Furthermore, he compares the extravagance of Japanese military personnel, citing their entertainment expenses, with the behavior of the Chinese Communist soldiers, and goes so far as to insist that "with soldiers of this sort, Japan cannot hope to compete with the Chinese Communists." He also made the following dispassionate observations about the Nationalist government, the Wang Zhaoming government created by Japan.

"My view of the Nationalist government is that it is a temporary, impulsive artifice intended to conceal acts of aggression committed by Japan, and assailed by other nations at the time, rather than a government established by Japan with the good of China in mind, or to provide relief for the Chinese people, or to unite the whole of China.

As we have observed from the foregoing, Prince Mikasa continually exhorted the Japanese people, the Army in particular, to reflect on their past actions. Though we must concede that, in wartime, he was only able to address those in his department, his courage and insight were truly remarkable. At the same time, we must face the fact that Prince Mikasa's deep remorse over Japan's war of aggression and war responsibility was felt as early as 1943-44.

In "A Record of My Memories," included in his *Monarchs, Graves, and the People*, published after the war, in 1956, Prince Mikasa touches upon Japan's war crimes, as follows:

"It was during that one-year period (1943) that my beliefs were shaken from the roots. I was appalled when I witnessed the true circumstances of that so-called 'holy war.' At this point, I see no point in enumerating the many unspeakable atrocities to which innocent Chinese people were subjected. However, the brutal acts committed at the outset of such incidents by some Japanese soldiers served to inflame Chinese hostility toward Japan all the more, and produced a situation bearing absolutely no resemblance to a holy war."

Reflections of a Japanese on the China Incident was indeed the starting point for Prince Mikasa's postwar activities.

Present-Day Significance of Prince Mikasa's Observations

Prince Mikasa's criticism of the Japanese in *Reflections of a Japanese on the China Incident* is, at the same time, suggestive of serious problems afflicting Japanese society and culture. He also presents several problems which present-day Japanese would do well to consider.

First, the fact that only members of the imperial family in positions of authority were able to officially criticize errors committed by Japanese soldiers, e.g., the murder of prisoners of war, looting, and rape *from the inside*.

Besides Prince Mikasa, there was Prince Kanin, who served as Chief of the General Staff. Instructions he gave after the Nanjing Incident (December 1937) contained the following implicit criticism of atrocities committed by the Japanese military in Nanjing: "An abominable situation has arisen, particularly where military discipline and morals are concerned. That situation has worsened recently, and though I do not want to believe the reports I hear, I am forced to concede that some of them are true" (*Textbook for Military Police Service, Sources for the Study of Contemporary History, Series II, Vol. 6, The Military Police*).

This excerpt points out, symbolically, the abuses of Japanese society, a society in which those with power or authority have never faced past actions that demanded remorse, but have continued to whitewash them over, unless they chose to reform themselves. One would expect those who love their country to sense the necessity to reflect seriously upon their past actions, as Prince Mikasa indicates.

Second is the inclination of the Japanese, indicated by Prince Mikasa, to criticize others while refusing to admit to their own use of poison gas (red canisters [tsutsu]). This trend is tantamount to imposing the Japanese value system unilaterally on others, and even today earns resentment from other nations.

Third are problems connected with the economic activities of the Japanese. When Prince Mikasa asks himself the question, "What are we giving to China?" he answers, "Nothing. We have been taking, and only taking, all this time." Indifferent to Emperor Showa's admonishment, "Be sure that they are not exploited" (*Diary of Shunroku Hata*, entry for 7 January 1942), and to Prince Mikasa's remonstrations, the Japanese seem to have placed their own interests first in their conduct of economic activity. Shunroku Hata, who took the Emperor's wishes to heart and strived to implement the new China policy, often expressed his disgust with that aspect of the Japanese when he wrote in his diary. The Japanese tendency to believe that the "end justifies the means," which today generates a flood of criticism from the international community, went unchallenged during those days before the war.

For that reason, as well, Prince Mikasa's writings are a precious resource that touches upon many of the problems that present-day Japanese should contemplate seriously.

Prince Mikasa's statements necessarily contain errors and infelicities, since they were made in 1944, under the exigencies of the times, i.e., World War II. However, when one contemplates Japan-China relations of the near future, or Japan's own future as we approach the

21st century, there are many things that we can, and indeed must, learn from the observations made by Prince Mikasa 50 years ago.

(I would like to express my gratitude to former Hitotsubashi University Professor Akira Fujiwara, for his advice to me as I prepared this article, and to Mr. Seiichi Fujitsuka for having first brought Staff Officer Wakasugi to my attention.)

[Box, pp. 85-86]

Prince Mikasa's Statements Provide Important Facts and Suggestions

On Reading the Interview

I am deeply grateful to Prince Mikasa for having agreed to be interviewed about the rediscovered documents, and for speaking so candidly. The interview has brought the following important facts to light.

The first concerns the extent of Emperor Showa's awareness of acts of violence committed by the Japanese military during the Second Sino-Japanese War. Since there is practically no mention of [relations with] China in books such as *The Words of Emperor Showa* [showa tenno dokuhakuroku], no one knew for certain how aware the emperor was of the situation in China. However, we now know, from this interview, that the emperor was told about the situation, however perfunctorily, and that he viewed the Chinese-made film showing atrocities committed by Japanese soldiers.

The second is that, contrary to the notion held by the Japanese at large, the emperor exercised sovereignty, as commander-in-chief, and had ultimate authority over personnel matters, as far as military leaders were concerned (see *The Words of Emperor Showa*). His power provided support for Prince Mikasa's words and actions. However, we must acknowledge the fact that even the emperor's power could not control the military, and other elements that claimed that their will was his will.

The third is the fact that a film showing poison gas experiments actually performed on Chinese prisoners of war was shown at General Headquarters in Nanjing. Instinct leads me to believe that these were not poison gas experiments, but experiments using bacteria conducted by the 731st Unit. However, even if they were not germ warfare experiments, but poison gas experiments, we must recognize anew their inhumanity, and the extent to which the human sensibilities of the Japanese soldiers who showed them, even if only to staff officers, had been deadened.

The fourth is the tale of fruit contaminated with cholera bacteria being served to the Lytton survey team. This is, admittedly, hearsay. However, why did the Japanese come to believe that "the end justifies the means"? This is a question that not only Prince Mikasa, but every one of us, should ask himself.

In addition to the facts that have been brought to light, Prince Mikasa's statements provide valuable suggestions as to how Japan is to survive as a member of the international community. I refer to his mention of the various illusions that have arisen.

One is the illusion held by the Japanese, who during the Meiji Era, viewed the world in terms of the "civilized" and the "barbarians," and who today view it in terms of "economic superpowers" and "developing countries," and the prejudice that these views engender. A people whose prejudice is overt, or even latent, can hardly be expected to feel remorse.

The second is the illusion, mentioned explicitly by Prince Mikasa, that Japan won the Sino-Japanese and Russo-Japanese wars. Though conventional wisdom is to the contrary, the illusion is alive in the national perception, perhaps because of the influence of textbooks.

The third is the illusion, which has been spread by scholars and the media, that [the Japanese and Chinese] are the same people, using the same script. We must understand ourselves if we are to understand others. Prince Mikasa's statements underline the fact that self-knowledge, supported by an understanding of history unhampered by illusions, will permit us to see others as they really are.

Prince Mikasa exhorts us to transform ourselves from a forgetful people to one with a firm grasp of history. [end box]

[Boxed item: Shinichi Suzuki is a professor in Kobe University's Department of International Culture. His specialty is research on modern Japanese society and culture, e.g., nazism in Japan, and the emperor system. He was born in Tokyo in December 1946. Suzuki did his undergraduate work and obtained a master's degree in literature, at Waseda University. After completing the required number of units for a doctorate in sociology at Hitotsubashi University, he left that institution. He has been a professor's assistant at Hitotsubashi University, assistant professor at Kobe University's Department of Education, and assumed his current position in 1992. Among his writings are *The 26 February Incident* (Iwanami Booklet) and *Japan's Modern Age* (a collaboration; published by Azusa Publishing Co.).]

Footnotes

1. Nobuyuki Abe: Japanese Army general who served as prime minister for approximately four months, beginning in August 1939. He was assigned to Nanjing in April 1940 as ambassador extraordinary and plenipotentiary, and had a close relationship with Wang Zhaoming. The documents relating to Abe were originally compiled by the Modern Legislative Process Research Group of the Law Faculty at Tokyo University, which received them as a bequest from Abe's heirs after his wife's death.

2. *Hakko ichiu* [all eight corners of the world under one roof]. Emperor Showa apparently took this wartime

slogan literally, i.e., assumed that the entire world would be one family under his rule, and that the various peoples of the world would be afforded appropriate treatment. He is said to have stated, "Respect the special qualities of each ethnic group, and never exploit them" (*Diary of Shunroku Hata*, entry for 7 November 1942). It is also worth noting that Prince Mikasa stated emphatically in his published writings that *hakko ichiu* should not be a national goal.

3. Zhang Qun: Began service as the Republic of China's foreign minister in 1935. Devoted himself to improving Japan-China relations. Held the key post of chairman of the Committee on Military Affairs [gunji iinkai iincho], starting in 1940.

4. Emperor Showa's evaluation of Tojo: After the war, Emperor Showa had high praise for Tojo: "No one translated my ideas into practice as promptly or to the extent that he did" (Michio Kinoshita, *Diary of an Attendant to the Emperor*, entry for 12 February 1946).

North Korea

Spokesman's Statement Rejects Special Inspections

SK2309072694 Pyongyang Korean Central Broadcasting Network in Korean 0610 GMT 23 Sep 94

[Text] A DPRK Foreign Ministry spokesman on 23 September answered a question put by a KCNA reporter regarding the cries for special inspections raised again by dishonest forces [ilbu pulsun seryokdul] on the threshold of the second session of the third round of DPRK-U.S. talks.

The spokesman said:

As has been reported, the second session of the third round of DPRK-U.S. talks is opening in Geneva today.

The world unanimously hopes that measures for practical action for the implementation of the DPRK-U.S. agreed statement will be taken at the session to open a decisive phase favorable for a final solution to the nuclear issue on the Korean peninsula.

Contrary to this, however, some dishonest forces have come up with the preposterous argument that the DPRK should accept special inspections of two military sites [kunsa taesang] if it wants to be provided with light-water reactors [LWR's]. This argument means that LWR's will only be provided when the DPRK opens its military sites.

The LWR's are to be provided in exchange for freezing DPRK's graphite-moderated reactor program [hugyonno chegye]. It is by no means a gift to someone. Therefore, the firm guarantee for the provision of LWR's [kyongsuro chegong] and its strict fulfillment are an indispensable and key requisite [pilsujogigo kwangonchogin yogu] to a solution to the nuclear issue.

It is unthinkable that the DPRK, which regards independence as its life and soul, would open even its military sites to get LWR's.

Nevertheless, the hard-line conservative forces are again raising a hue and cry over the issue of special inspections. This cannot be construed otherwise than a sign of an insidious political purpose they are pursuing to bar the resolution of the LWR issue by putting a spoke in the wheel of [chedongul koro] the second session of the third round of U.S.-DPRK talks.

If the dishonest forces create difficulties in the provision of LWR's, continuously insisting on special inspections, the DPRK will not feel the need to freeze its independent graphite-moderated reactor program [urinun charipchogin hugyonno chegyerul tonggyolsikhil piryorul kutaeo nukkiji anke tolkkosida].

As for the nuclear suspicion, it is, by origin, a product of distrust in the DPRK. To have such distrust removed, we took the bold decision to replace the independent graphite-moderated reactor program with LWR's.

If LWR's are provided, the distrust will be dispelled and confidence be built between the DPRK and the U.S. Then, [kuroke toemyon] both nuclear suspicion and the issue of past activities will be resolved automatically [chayonhi].

Facts clearly show that a fundamental solution to the nuclear issue lies in providing LWR's, not in special inspections. So, to argue that LWR's can be provided only when the issue of past activities is resolved is like putting the cart before the horse.

The dishonest forces should act with discretion, discarding the anachronistic thinking pattern, which is against the trend of the time to move toward dialogue and negotiation.

KCNA Version of Statement

SK2309050394 Pyongyang KCNA in English 0455 GMT 23 Sep 94

[**"Foreign Ministry Spokesman on DPRK's Stand Toward Demand for 'Special Inspections'" —KCNA headline**]

[Text] Pyongyang, September 23 (KCNA)—A spokesman for the Foreign Ministry of the Democratic People's Republic of Korea Friday answered a question put by KCNA as regards the outcries for "special inspections" raised again by dishonest forces on the threshold of the second session of the third round of DPRK-U.S. talks.

The spokesman said:

As has been reported, the second session of the third round of DPRK-U.S. talks is opening in Geneva today.

Now the world unanimously hopes that measures of practical action for the implementation of the DPRK-U.S. agreed statement will be taken at the session to open a decisive phase favorable for a final solution to the nuclear issue on the Korean peninsula.

However, some dishonest forces, contrary to this, are coming with the preposterous argument that the DPRK should accept "special inspections" of two military sites, if it want to be provided with Light Water Reactors (LWRs). This argument means that the LWRs will be provided only when the DPRK opens the military sites.

The LWRs are to be provided in exchange for the freeze of the DPRK's graphite-moderated reactor program. It is by no means a gift of someone to it. Therefore, the firm guarantee for the provision of LWRs and its strict fulfillment are an indispensable and key requisite to a solution to the nuclear issue.

It is unthinkable that the DPRK which regards independence as its life and soul would open even its military sites to get LWRs.

Nevertheless, the hardline conservative forces are raising a hue and cry again over the issue of "special inspections." This cannot be construed otherwise than a sign of an insidious political purpose they are pursuing to bar the resolution of the LWR issue by putting a spoke in the wheel of the second session of the third round of talks between the DPRK and the U.S.

If the dishonest forces created difficulties in the provision of LWRs, insisting on "special inspections," the DPRK would not feel the need to freeze its independent graphite-moderated reactor program.

As for "the nuclear suspicion," it is, by origin, a product of distrust in the DPRK. To have such distrust removed, we took the bold decision to give up the independent graphite-moderated reactor program and introduce LWRs in its place.

If LWRs were provided, the distrust would be dispelled and confidence be built between the DPRK and the U.S. in this course and then both "nuclear suspicion" and the issue of the past activities will be resolved automatically.

Facts clearly show that a fundamental solution to the nuclear issue lies in providing LWRs, not in making "special inspections." So, to argue that LWRs can be provided only when the issue of the past activities is resolved is like putting the cart before the horse.

The dishonest forces should act with discretion, discarding the anachronistic thinking-pattern against the trend of the time towards dialogue and negotiation.

Paper Urges Elimination of Nuclear Weapons

SK2309100994 Pyongyang KCNA in English 1004
GMT 23 Sep 94

[**"Nuclear Weapons Must Be Totally Eliminated"**—KCNA headline]

[Text] Pyongyang, September 23 (KCNA)—All the nuclear weapons must be completely scrapped on our planet, if the desire of humankind to live in the world free from the danger of nuclear war is to be gratified, declares NODONG SINMUN today.

In a signed article on the third meeting of the Preparatory Committee of the fifth session for the examination of the implementation of the Nuclear Non-Proliferation Treaty (NPT), which was recently held, the paper clarifies again the consistent stand of the Workers' Party of Korea and the DPRK Government towards the issue of nuclear arms.

For a total removal of nuclear weapons, it is essential for the nuclear states, especially those countries which have a large quantity of nuclear weapons and actually present a nuclear threat, to scrap nuclear arms before others, it says, and goes on:

The nuclear states, if they truly hope for the removal of nuclear threat and a durable peace, must show this in action of totally destroying nuclear weapons.

For the total removal of nuclear arms it is also necessary to strictly prevent the proliferation of nuclear weapons.

What is important here is to reject the application of double standard in the implementation of the NPT and strictly abide by the principle of impartiality. It is an open manifestation of the double standard that the International Atomic Energy Agency turns blind eyes to those really problematic while demanding "special inspections" of the DPRK which offers no problem.

For the total elimination of nuclear weapons, it is also urgent to put a total ban on the test, production and deployment of nuclear weapons.

Creating nuclear-free, peace zones is an effective way for removing the actual factors and danger of nuclear war and building a world without nuclear weapons.

The Korean people will make every possible effort, together with the world's peaceloving people, to denuclearize the Korean peninsula, remove all the nuclear arms and build a world without nuclear weapons.

South's Nuclear Arms Development Detailed

SK2209143194 Pyongyang Korean Central
Broadcasting Network in Korean 0248 GMT 22 Sep 94

[Dialogue between reporters Chong Song-kang and Yi In-sun: "South Korean Puppets Who Are Frantically Pursuing Nuclear Armaments"]

[Text] [Yi In-sun] How are you?

[Chong Song-kang] How are you?

[Yi] The Kim Yong-sam group has recently been excluded from the process of resolving the nuclear issue; implementing the DPRK-U.S. agreement has become the order of the day. As a result, the puppet traitor Kim

Yong-sam is raving that ensuring someone else's past nuclear transparency is the only key to resolving the nuclear issue. He is also recklessly trying to prevent the implementation of the agreement. I would like to discuss this matter with you.

[Chong] When it comes to the nuclear transparency about which the puppet traitor Kim Yong-sam is babbling, the South Korean puppets themselves must prove their past nuclear transparency.

As you know, because South Korean puppets one after another have maneuvered to develop nuclear weapons, South Korea has become a nuclear tinderbox that may explode at any moment. In the early 1970's, the South Korean puppets adopted a policy of developing nuclear weapons, and built a Canadian-manufactured heavy-water reactor in Wolsong, North Kyongsang Province, disguising it as a commercial power station. The reactor is capable of producing plutonium. An article in South Korea's WOLGAN CHOSON lets us know quite well this reactor was built to manufacture nuclear weapons. This magazine quotes an expert personally involved in nuclear weapons development as saying the Canadian-manufactured Wolsong heavy-water reactor was built to manufacture nuclear weapons.

The South Korean puppets introduced the Canadian-manufactured heavy-water reactor because it was designed to replace fuel every day, and thus was easy to hoard plutonium. A commercial heavy-water reactor is designed to replace fuel after burning it all, requiring a stoppage of operations.

As a South Korean atomic energy expert has said, if they establish a double accounting system, and record only 10 kg as being used when 20 kg are used, nothing can be done about it. Therefore, a heavy-water reactor was built, becoming operational in Wolsong in 1983. A massive amount of plutonium has been accumulated in South Korea, sufficient enough to manufacture approximately 370 nuclear weapons. Ten tonnes of plutonium have been accumulated in South Korea; the amount is estimated at 24 tonnes by the year 2000.

[Yi] The South Korean puppets have accelerated nuclear weapons development by using the multipurpose research reactor in Taedok Complex. The South Korean puppets, when building the multipurpose research reactor, built a postirradiation test facility, which is a semi-reprocessing facility; reprocessed spent nuclear fuel in the postirradiation test facility; and built a complete system for extracting plutonium. In this way, they have developed nuclear weapons.

Moreover, the bastards [nomdurun] are accelerating the development of fast breeder reactors that [words indistinct] plutonium 1.8 times more than the acquired amount of plutonium when burning fuels.

[Chong] That is correct. The South Korean puppets, thinking fast breeder reactors are attractive, are desperately developing them, which shows their ambition to

develop nuclear weapons. This is because fast breeder reactors are capable of easily extracting a large amount of plutonium, and because when they acquire fast breeder reactors, they will be able to find an excuse to acquire a large amount of plutonium. Because fast breeder reactors can work as reprocessing facilities, they will have reprocessing plants as well.

Therefore, the South Korean magazine MAL writes that fast breeder reactors are a device for producing and extracting large amounts of plutonium, material for nuclear weapons. It also writes that countries having such breeders have no difficulty in manufacturing nuclear weapons.

[Yi] The puppets have been more openly maneuvering to develop nuclear weapons since puppet traitor Kim Yong-sam took power. I will cite a few examples. On 1 April, a former minister of the National Unification Board stated the North-South joint denuclearization declaration had been nullified in principle. He also raved that it was time they acquire a nuclear capability, and that the National Assembly must raise its voice to possess nuclear weapons. Also, traitor Kim Yong-sam convened a meeting of security-related ministers on 9 October, with even the minister of science and technology in attendance, and discussed the issue concerning the expansion of nuclear reprocessing facilities and the reexamination of the joint denuclearization declaration.

[Chong] In reality, nuclear weapons of various sorts are being manufactured secretly in South Korea. Parts, material, and equipment for manufacturing nuclear weapons are being manufactured secretly at the Changwon Machinery Corporation, the Nuclear Fuel Corporation, the Nuclear Fuel Processing Plant, the Atomic Reactor Technology Corporation, and other South Korean comprador enterprises. They are manufactured, disguised as ordinary goods or [words indistinct].

All facts clearly show it is the South Korean puppets who have built atomic reactors across South Korea to develop nuclear weapons, are secretly developing nuclear weapons, and are making nuclear threats on the Korean peninsula. No denuclearization, peace, or security can be achieved on the Korean peninsula without keeping in check the puppet Kim Yong-sam clique's maneuvers for nuclear armament.

The 70 million fellow countrymen in the North, South, and abroad, as well as peace-loving people the world over, are keenly watching the South Korean puppets' reckless maneuvers for nuclear armament. If the puppet Kim Yong-sam clique perpetrates reckless maneuvers for nuclear armament to inflict a nuclear catastrophe on its fellow countrymen, it will not be able to escape from a shameful destruction.

[Yi] That is correct. Let us conclude today's dialogue at this point.

**Deployment of Heavy Weapons in DMZ
Denounced**

*SK2309045794 Pyongyang KCNA in English 0446
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—The South Korean puppets illegally introduced into the Demilitarized Zone [DMZ] a 90 mm recoilless gun and 12.7 mm large-calibre machine gun from Yonchon County on September 21, according to military sources.

The puppets openly installed these heavy weapons in positions in the broad daylight and gravely threatened the safety of soldiers of the Korean People's Army, taking a firing posture toward a civil police post of the North side for nearly four hours.

On the same day, the U.S. imperialist warmaniacs deployed four military vehicles carrying many bandits armed with machine guns and automatic rifles at a military police post leading to Panmunjom and in the joint security area of Panmunjom.

That day, puppet army bandits armed with heavy weapons gadded about in the DMZ of Chawon-ri, Pyonggang County, inciting a terror-ridden war atmosphere.

The intensified arms buildup and military provocations fully prove how recklessly the war-like elements are running about to lead the situation on the Korean peninsula to tensions.

South's Purchase of Russian Weapons Denounced

*SK2309051194 Pyongyang KCNA in English 0502
GMT 23 Sep 94*

[“Unpardonable Treacherous Crime”—KCNA headline]

[Text] Pyongyang, September 23 (KCNA)—Rumours are abroad that the South Korean puppet clique has agreed to import large quantities of military hardware from Russia.

If it is true, we cannot but take a serious view of it.

The South Korean rulers' scheme to import large quantities of military hardware from Russia is an unpardonable anti-national, anti-reunification crime, which will aggravate the military situation on the Korean peninsula.

The problem is grave in view of the fact that the Kim Jong-sam group is openly scheming to introduce mass-destruction weapons, going against the trend of the times and increasing the danger of war at a time when the agreed statement between the DPRK and the United States has reached the stage of implementation and the international community unanimously hopes for peace and stability on the Korean peninsula.

This reveals the South Korean puppets' sinister intention to block the DPRK-USA talks at any cost and drive

the situation on the Korean peninsula back to the brink of war, feeling utterly uneasy and dismayed at the progress of the talks.

They cried themselves hoarse at the United States, entreating it to “slow the speed of the improvement of its relations with North Korea”, but in vain. Much vexed, they are using their last card, that is, the anachronistic card of war provocation through feverish arms buildup. This is a threat to the North and, at the same time, a challenge to their master.

The Kim Jong-sam group is planning to import more than a hundred and several dozen million dollars worth U.S. military equipment, following the introduction of a large number of Patriot missiles and Apache attack helicopters from the United States. As if it were not enough, it is stretching its hand to Russia for means of war. We can never look on with folded arms at the reckless war provocation moves.

The fact clearly shows that the Kim Jong-sam clique is a group of warmaniacs who are hell bent on overpowering the North by dint of arms, though they pay lip service to “North-South talks.”

If the Kim Jong-sam group hastens arms buildup against the North and sticks to the policy of confrontation with the North, nothing but a war will await our nation.

If the puppets recklessly provoke a war despite our repeated warnings, they will pay dearly for it and meet a miserable end.

Kim Jong-sam's Accepting 'Sea of Japan' Viewed

*SK2209151594 Pyongyang KCNA in English 1507
GMT 22 Sep 94*

[Text] Pyongyang, September 22 (KCNA)—South Korean public circles denounce the treacherous crimes of the Kim Jong-sam group in approving the representation of the East Sea of Korea as “the Sea of Japan”, the South Korean newspaper TONG-A ILBO reported.

Kim Chan-kyu, a professor of Kyonghui University, stated that the attitude of the authorities was not understandable, saying “the ‘government’ must bear responsibility for the impairment of the self-respect of the people.”

A Professor Sin of Seoul National University said that in the historical point of view, the decision to represent the East Sea of Korea as “the Sea of Japan” is illogical.

Pak Yong-chae, a professor of Yonsei University, lamented that “the decision proves the present ‘government’ is going this way and that way without principle, in its foreign policy.”

A lawyer, Chi Ik-pyo, and a teacher, Yi Yong-il, urged the authorities to take a more prudent attitude, while a bank clerk, Kang Chol-chong, said: “I feel the ‘government’ has sold off our land unobserved by the people.”

A postgraduate of Seoul National University, Kim Yon-kyong, deplored that "our principle which has been maintained for scores of years has collapsed so easily as a result of 'closed-door negotiation.'"

U.S.-Japanese Joint Naval Exercise Denounced

SK2309045494 Pyongyang KCNA in English 0443
GMT 23 Sep 94

[**"NODONG SINMUN on U.S.-Japan Joint Naval Exercise"—KCNA headline**]

[Text] Pyongyang, September 23 (KCNA)—The U.S.-Japan joint naval exercise which was started on September 19 allegedly to cope with "the possible threat of North Korea" is an offspring of their military tieup against the Democratic People's Republic of Korea and part of the adventurous moves to unleash another war in Korea, says NODONG SINMUN today.

The analyst notes:

"The possible threat of North Korea" is a fiction and a pretext for justifying their military pressure on and belligerent moves against the DPRK. Advertising "the threat of North Korea" is an insult and challenge to the DPRK and a mockery of the world people.

We cannot but take a serious view of the fact that the Japanese militarists are openly seeking overseas military expansion, while going ahead with "security emergency legislative arrangements," and are intensifying military manoeuvres simulating a Korean war in league with the United States.

The war gamble of the U.S. and Japanese Navies on the East Sea of Korea against the DPRK impedes the relaxation of tension on the Korean peninsula. As has been reported, the DPRK-U.S. talks will be held in Geneva from today. At this juncture, the U.S. and Japanese bellicose circles are staging military manoeuvres getting on the nerve of the DPRK under the pretext of its "threat." This is an improper act that casts a chill over the DPRK-U.S. talks and renders the situation of the Korean peninsula all the more complicated. The U.S.-Japan joint navel exercise can never be justified.

Japan's 'Shameless' Lobbying for UN Seat Viewed

SK2309103894 Pyongyang KCNA in English 1028
GMT 23 Sep 94

[**"Japan Must Behave Discreetly"—KCNA headline**]

[Text] Pyongyang, September 23 (KCNA)—The Japanese authorities are concentrating every effort on creating an atmosphere at home and abroad for securing a permanent seat at the U.N. Security Council at this year's session of the U.N. General Assembly.

This is the topic of a MINJU CHOSON commentary today.

The analyst says:

Intending to submit to the United Nations an application for a permanent seat at the U.N. Security Council and get a formal endorsement at the General Assembly, the Japanese Government is uttering the cry that it has confirmed it as its "policy" that Japan "does not participate in military actions involving the use of arms" and Japan should exercise "an influence commensurate with her share of the UN burden."

This shows that Japan is seeking to exercise her political and military influence in the settlement of international issues as a political power in the world arena and gradually attain her sinister objective.

A smiling diplomacy and a money-backed diplomacy characterize Japan's efforts for her permanent membership of the U.N. Security Council.

Japan has long since dispatched diplomats and ranking officials with bags of money to many countries to enlist support to it.

It is shameless and ridiculous of Japan to run about in lobbying for her permanent membership, scattering money, while whitewashing her criminal aggression of the past, evading atonement and stepping up her conversion into a military power and her nuclear armament.

This behavior cannot be construed otherwise than a move to follow in the footsteps of militarism and repeat the crime-woven history.

If Japan is to break with the past and make a new start, she must liquidate the past properly in deed and win confidence from the Asian peoples.

Japan must ponder it over and behave discreetly.

Korean Residents in Japan Head Meets Yi In-mo

SK2309042794 Pyongyang KCNA in English 0415
GMT 23 Sep 94

[Text] Pyongyang, September 23 (KCNA)—Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), staying in the socialist homeland, met with Yi In-mo, a former war correspondent of the Korean People's Army known as the incarnation of faith and will, in Pyongyang on September 22.

Yi In-mo said, though the great leader Comrade Kim Il-song passed away to the sorrow of the nation, his mental pillar is always strong because the dear leader Comrade Kim Chong-il, the successor to the cause of President Kim Il-song, is administering all the affairs of the state successfully.

Yi In-mo vowed to live and fight resolutely till the day of national reunification, holding dear Comrade Kim Chong-il in high esteem as the great leader Comrade Kim Il-song desired in his lifetime.

Chairman Han Tok-su said Yi In-mo is now enjoying a worthy life as he had kept to his principles as a revolutionary in South Korea, not yielding to all manner of tortures by the enemy.

He expressed the belief that Yi In-mo will make an active contribution to the country and the revolution in health.

Vice Premier Hong Song-nam Meets Chinese Guests

*SK2309043694 Pyongyang KCNA in English 0422
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—Vice-Premier Hong Song-nam on September 22 met and had a friendly conversation with the delegation of the Jilin Provincial people's government of China headed by its Vice-Governor Quan Zhezhu.

On hand were Cho Won-myong, vice-chairman of the state External Economic Affairs Commission and chairman of the Korean Committee for the Promotion of International Trade, and Chinese Ambassador to Korea Qiao Zonghuai.

Anniversary of Republic of Mali Marked

*SK2309042694 Pyongyang KCNA in English 0412
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—A meeting was sponsored by the Korea-Mali Friendship Association here Thursday to mark the 34th anniversary of the proclamation of the Republic of Mali.

Present at the meeting were officials of the association and working people in the city.

A speech was made and a message of greetings to the Malian president adopted at the meeting.

WPK Sends Greetings to Mali

*SK2309101294 Pyongyang KCNA in English 1005
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] sent a message of greetings to the first regular meeting of the African Party for the Solidarity and Justice of Mali on September 22.

The message said that the meeting would mark an important occasion in the struggle of the party to strengthen it and achieve the independent development of the country and the prosperity of the nation.

The message wished the meeting success in its work.

Burkinabe Minister Favors Confederation Formula

*SK2309102694 Pyongyang KCNA in English 1013
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—The confederation formula put forward by his excellency the great

leader President Kim Il-song clearly expounded all principled matters to achieve Korea's reunification, Burkinafabe Prime Minister Roch Christian Marc Kabore told the DPRK ambassador on September 13.

The prime minister said that the confederation formula is the most reasonable and realistic way of reunification and that Korea must be reunified according to this formula.

The Korean people have revolutionary bonds with their leader, he said, stressing that the Korean people will certainly reunify their country under the wise guidance of his excellency the dear leader Marshal Kim Chong-il.

'Adjustment' Period in Economic Strategy Noted

*SK2309103394 Pyongyang KCNA in English 1023
GMT 23 Sep 94*

[“WPK's Revolutionary Economic Strategy”—KCNA headline]

[Text] Pyongyang, September 23 (KCNA)—NODONG SINMUN today carries an article titled “Period of Adjustment in Socialist Economic Construction and Our Party's Revolutionary Economic Strategy” contributed by Prof. and Dr. Kim Chae-so.

Three years beginning this year has been set as a period of adjustment in socialist economic construction in the Democratic People's Republic of Korea.

The great leader Comrade Kim Il-song said:

“By carrying out the revolutionary economic strategy of our party during the period of adjustment for socialist economic construction we will consolidate the foundations of the nation's independent economy rock-solid, further improve the people's standard of living to meet the socialist requirements and secure a new launching point for scaling a higher eminence of socialism.”

Noting that it is of weighty importance in fulfilling the tasks in the adjustment period to carry out the revolutionary economic strategy of the Workers' Party of Korea [WPK], the article says:

In his new year address the great leader Comrade Kim Il-song set tasks to implement in this period the agriculture-first, light industry-first and foreign trade-first policy and, along with this, give definite precedence to the coal industry, power industry and rail transport, which must advance ahead of the other sectors of the national economy, and continue developing the metal industry. These tasks are vital to consolidating the independent economic foundations and further improving the people's living standards. They reflect the actual conditions in which solid foundations of heavy industry have been laid and the law governing the socialist economic development in our country.

In developing heavy industry with a tight hold on the basic line of socialist economic construction which

requires the preferential development of heavy industry with simultaneous development of light industry and agriculture, our party directed great efforts to making heavy industry fully serve light industry and agriculture. Since solid foundations of heavy industry have already been laid, to increase the state investment in agriculture, light industry and other sectors directly conducive to the improvement of the people's living and in foreign trade and dynamically push ahead with the development of these sectors are important in managing the nation's economy independently by ensuring a balanced development of all its sectors and making the existing economic foundations pay off more profusely in improving the people's living.

Our party's revolutionary economic strategy requires the concentration of main efforts on agriculture, light industry and the production of export goods as well as the continuous development of coal and power industries, rail transport and metal industry. Only when light industry and agriculture are equipped with modern technologies and the pace-setting sectors of the national economy supplying them with raw and other materials, fuel and power are put into full-capacity operation, is it possible to develop agriculture and light industry and effect a new upsurge in economic construction as a whole.

It is very timely and well-aimed that our party set three years to come as a period of adjustment. And it is a very wise policy to concentrate efforts on agriculture, light industry and foreign trade in this period. When vigorous efforts are made to carry out to the letter the revolutionary economic strategy of the party in the period of adjustment, our national economy will dynamically advance with greater vigor and secure a new launching point for scaling a higher eminence of socialism.

Overseas Meetings Mark Founding Anniversary

*SK2309101694 Pyongyang KCNA in English 1011
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—Meetings were held in Pakistan, Syria, Mongolia, Peru, Bulgaria and Sweden to celebrate the 46th founding anniversary of the Democratic People's Republic of Korea.

The participants in the meetings paid a moment's silent tribute to the memory of the great leader President Kim Il-song.

In his speech at a meeting, the secretary of the Idlib Provincial Committee of the Arab Socialist Baath Party of Syria said: "The death of the great leader Comrade Kim Il-song is a great loss not only to the Korean people but to the peoples of all fighting countries of the world."

"The deep intimacy between the great leader Comrade Kim Il-song and President Hafiz al'Asad was of great significance in the struggle against the common enemy," he said, adding: "The friendly relations between the two

countries will be everlasting, not affected by any change in the international situation."

C.R. Aslam, chairman of the Socialist Party of Pakistan, said in his speech at a meeting in Lahore: "The Korean people are achieving a great victory in all fields of the revolution and construction under the wise guidance of his excellency the dear leader Kim Chong-il."

"His excellency dear Kim Chong-il is the successor to the revolutionary cause of his excellency the great leader President Kim Il-song and the outstanding leader of the Korean people," the chairman said, adding: The Korean people who hold him in high esteem as the supreme leader of the party, the state and the army and their great leader will certainly achieve a complete victory of socialism and accomplish the cause of national reunification.

Lectures and other functions were held in Tanzania, Italy, Norway, Egypt, Cameroon, the Czech Republic and other countries.

Messages of greetings to the dear leader Comrade Kim Chong-il were adopted at the celebration meetings and at the lecture meetings in Norway and Tanzania.

Foreign Parties Send Messages to Kim Chong-il

*SK2309042394 Pyongyang KCNA in English 0404
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received messages of greetings from foreign heads of state and party leaders on the 46th anniversary of the founding of the Democratic People's Republic of Korea.

The messages came from Emomali Sharipovich Rakhmonov, head of state and chairman of the Supreme Soviet of the Republic of Tadzhikistan; Askar Akayev, president of the Republic of Kyrgyzstan; Said Mohamed Djohar, president of the Federal Islamic Republic of Comoros; Rolf Hagel, chairman of the Workers' Party-Communists of Sweden; Frank Baude, chairman of the Communist Party-KPML(R) of Sweden; Juan Ramos, general secretary of the Communist Party of the Peoples of Spain; Timo Lahdenmaki, chairman of the For Peace and Socialism-the Communist Workers' Party of Finland; Vassos Lyssarides, chairman of the Central Committee of the Socialist Party of Cyprus; Cassim Salam, general secretary of the Yemeni Regional Leadership of the Arab Socialist Baath Party; Ali Hassan, general secretary of the Supreme Council of the Nationalist Socialist Party of Syria in Lebanon; Ahmed Nejib Chabbi, general secretary of the Progressive Socialist Rally of Tunisia; and Mohamedoun Dicko, secretary general of the Executive Committee of the African Party for the Solidarity and Justice of Mali.

The messages extend warmest congratulations to Comrade Kim Chong-il and wish him a long life in good health.

They express firm support and solidarity for the Korean people's struggle for socialist construction and national reunification and the belief that the cooperative relations between the Workers' Party of Korea and their parties and between Korea and their countries will grow stronger.

He also received a message of greetings from the coordinating council of the Central Committee of the Communist Party of Kazakhstan on the occasion.

Reverence for Kim Chong-il 'Growing' in South

*SK2309042494 Pyongyang KCNA in English 0410
GMT 23 Sep 94*

[“Dear Leader Kim Chong-il, Leader of Korean Nation”—KCNA headline]

[Text] Pyongyang, September 23 (KCNA)—Reverence for the dear leader Comrade Kim Chong-il is growing deeper among the South Korean people, the Seoul-based radio Voice of National Salvation reported.

Choe Yong-min, a worker of the Inchon industrial complex, said:

“The dear leader Kim Chong-il is the leader of our nation who has the same greatness as President Kim Il-song.

“He is not only a great thinker and theoretician but also the greatest of the great men who has a rare wisdom, outstanding leadership ability and noble personality.

“It is a duty, mission and highest honour of us all to uphold the dear leader Kim Chong-il, who has inherited the noble gifts of President Kim Il-song, as the great leader of our nation.

“Under the guidance of the dear leader Kim Chong-il, the country will certainly be reunified and the nation has a bright future.”

A florist surnamed Kwon who lives in the suburbs of Seoul told his family:

“In August 1945 when the country was liberated, Seoul citizens built a high gate of pine branches at the Seoul railway station plaza to welcome General Kim Il-song on his triumphal return after achieving national liberation.

“General Kim Il-song passed away without seeing the reunification of the country he so earnestly wished in his lifetime, but we must not be dispirited at all. We have General Kim Chong-il who is succeeding the cause of the great General Kim Il-song.

“We must uphold only General Kim Chong-il as the great sun of the nation, as there is only one sun in the sky. Let us cultivate many more beautiful flowers so that we can acclaim General Kim Chong-il on the rostrum of flowers when the country is reunified.”

A retired professor surnamed Kim who lives in Jongro District, Seoul, told his family, expressing his reverence for President Kim Il-song:

“Our people feel reassured and the future of the nation is bright because we have Mr. Kim Chong-il as the leader of the 70 million Koreans, the guardian of the nation's destiny, the lodestar of national reunification and the leader of the nation.

“If we South Koreans are to live a happy life in an earthly paradise like the North, we must reunify the country in the 1990s without fail under the wise guidance of the dear leader Kim Chong-il, as desired by President Kim Il-song.”

Anniversary of Kim Il-song, Kim Chong-il Guidance

*SK2309042994 Pyongyang KCNA in English 0421
GMT 23 Sep 94*

[Text] Pyongyang, September 23 (KCNA)—A meeting was held in Kanggye on September 22 to commemorate the 30th anniversary of the on-the-spot guidance of the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il to Jagang Province.

In September 1964, President Kim Il-song and Comrade Kim Chong-il visited Jagang Province, the northern inland of the country, and indicated tasks and ways to develop its economy and improve the living standard of the people and showed deep benevolence to it.

The great leader gave instructions to boost per hectare yield by increasing the fertility of soil, develop the rural economy in a many-sided way, invigorate geological survey, keep production at industrial establishments on a steady high level and build the counties to suit their specific conditions.

Yon Hyong-muk, alternate member of the Political Bureau of the Central Committee of the Workers' Party of Korea, chief secretary of the Jagang Provincial party committee and chairman of the Jagang Provincial people's committee, in his report proudly reviewed the great changes effected in the ideological and moral traits of the provincial working people and in the economic, cultural and other domains of the province over the last 30 years under the wise guidance and deep loving care of the party and the leader.

“In this period,” he said, “new ore and coal mines have been developed, the output of iron ore, coal and timber has increased and more than 100 minor power stations and many industrial establishments including the September textile mill have made their appearance, with the result that the province's gross industrial output has markedly risen.”

“Achievements have also been registered in agricultural production, the output of cocoons jumping 3.5 times, that of grain per hectare 2.3 times and the per hectare yield of vegetable 3.9 times,” he stated.

Spanish Communist Leader Praises Kim Il-song
SK2209150694 Pyongyang KCNA in English 1501
GMT 22 Sep 94

[Text] Pyongyang, September 22 (KCNA)—The Korean people are bracing themselves up without losing confidence, though they lost Comrade Kim Il-song, the great leader, because they have dear Comrade Kim Chong-il who is wisely leading the work to carry forward his cause to accomplishment, said Antonio Joaquin Dolera Lopez [spelling of name as received], member of the Federal Committee and general secretary of the Murcia Regional committee of the Spanish Communist Party, at a press conference here recently.

Giving his impressions of Korea, the Spanish visitor said: "The Korean people are playing their responsible roles at their posts, having risen up as one man. The Democratic People's Republic of Korea is a country where social equality and harmony are ensured and all people actively devote themselves to the cause of socialism."

In Korea the masses of people all breathe in one ideology and purpose as the masters of society and give full play to collectivism, he said, adding: "This is because the line and the policy of the Workers' Party of Korea are correct.

He said he could feel in the unshaken trust of the Korean people that the great leader Comrade Kim Il-song is immortal among the people.

He sincerely wished the Korean people greater success in the work to fulfill the last instructions of respected Comrade Kim Il-song.

Delegations Visit Kim Chong-suk Statue
SK2309043794 Pyongyang KCNA in English 0426
GMT 23 Sep 94

[Text] Pyongyang, September 23 (KCNA)—Delegations and home-visiting groups of the General Association of Korean Residents in Japan (Chongnyon) and overseas Koreans staying in the socialist homeland visited the Revolutionary Martyrs Cemetery on Mt. Taesong and laid wreaths before the bust of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, on September 22 on the occasion of the 45th anniversary of her death.

Written in ribbons hanging on the wreaths were words "Revolutionary feats of Comrade Kim Chong-suk, indomitable communist revolutionary fighter, will be everlasting!"

They observed a moment's silence in memory of Comrade Kim Chong-suk who had devoted her all to the sacred cause of the liberation of the country and the freedom and happiness of the people.

On the same day, Yi Chong-sang, chief of the Pyongyang mission of the South Korean National Democratic

Front, and officials of the mission presented bunches of flowers before the bust of Comrade Kim Chong-suk in the Revolutionary Martyrs Cemetery on Mt. Taesong.

Foreign Economic, Commercial Corps
SK2309043894 Pyongyang KCNA in English 0429
GMT 23 Sep 94

[Text] Pyongyang, September 23 (KCNA)—The foreign economic and commercial councillors corps in Korea Thursday laid a wreath before the bust of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, in the Revolutionary Martyrs Cemetery on Mt. Taesong on the occasion of the 45th anniversary of her death and paid a moment's silent tribute to her memory.

Written in a ribbon hanging on the wreath were words "Revolutionary feats of Comrade Kim Chong-suk, an indomitable revolutionary fighter, will be everlasting".

Doyen of the corps Evgeny Bilim, Russian commercial representative in Korea, said that the great leader Comrade Kim Il-song had performed great exploits for the people and his cause is being carried forward by the dear leader Comrade Kim Chong-il.

He wished the Korean people great success in their future work.

The delegation of the Eritimi Marine Company, Ltd. of Palestine headed by its director Omar Mohamad Akawi visited the Revolutionary Martyrs' Cemetery on Mt. Taesong and laid bunches of flowers before the bust of Comrade Kim Chong-suk before observing a moment's silence to honor her memory.

Party Leaders Lay Wreaths
SK2209151994 Pyongyang KCNA in English 1512
GMT 22 Sep 94

[Text] Pyongyang, September 22 (KCNA)—Wreaths were laid before the bust of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, in the Revolutionary Martyrs' Cemetery on Mt. Taesong today by senior party and government officials, working people and soldiers of the People's Army upon the lapse of 45 years since her death.

Lying before the bust was a wreath sent by Comrade Kim Chong-il, the dear leader of our party and our people.

Wreaths and bouquets were laid in the name of the Central Committee of the Workers' Party of Korea, the Central People's Committee of the Democratic People's Republic of Korea, the DPRK Administration Council, anti-Japanese revolutionary fighters, the Ministry of the People's Armed Forces, the Ministry of Public Security, units of the Korean People's Army, commissions and ministries of the Administration Council, the Joint Organization of the Korean Children's Union, working people's organizations, central organs, scientific, educational, cultural and art, public health and press organs,

party and power bodies, administrative and economic organs, working people's organizations, factories and cooperative farms in Pyongyang.

Written on the ribbons hanging on the wreaths were "The revolutionary feats of Comrade Kim Chong-suk, an indomitable communist revolutionary fighter, will be immortal!"

Those present observed a moment's silence, looking back on the brilliant life and undying revolutionary feats of Comrade Kim Chong-suk.

Present at the wreath-laying were O Chin-u, Kang Song-san, Yi Chong-ok and other senior party and government officials.

Wreaths and bouquets were also laid before the statue of Comrade Kim Chong-suk standing in Hoeryonggun North Hamgyong Province.

Railway Ministry: Increases in Freight Turnover

SK2209150894 Pyongyang KCNA in English 1503
GMT 22 Sep 94

[Text] Pyongyang, September 22 (KCNA)—Railway freight turnover is on the steady increase in Korea.

According to data available at the Ministry of Railways, the daily average freight turnover over the last two months or more was 10,000 tons more than in the like period last year.

In this period, the Pyongsang Railway Bureau increased its freight turnover by more than 314,000 tons.

The Hamhung, Kaechon and Chongjin Railway Bureaus topped their assignments by tens of thousands of tons by organising transport under a meticulous plan and increasing the operation rate of the locomotives.

South Korea

'Big Concession' Made to U.S. Over Trademarks

SK2209120694 Seoul YONHAP in English 1159 GMT
22 Sep 94

[Text] Washington, Sept. 21 (YONHAP)—South Korea is believed to have made a big concession to the United States over the trademark rights issue, so big as to possibly shake the domestic statutory system.

Kim Chung-ki, economic minister at the Korean Embassy in Washington, told Korean correspondents here Wednesday [21 September] that at the Korea-U.S. working-level trade subcommittee meeting held in Seoul last week, the United States strongly demanded that Korea protect all of its trademark rights.

"But, we informed the United States that we cannot protect those trademarks that are not so famous in the United States," Kim said.

The embassy minister was explaining about the outcome of the Seoul meeting during Ambassador Han Sung-su's press conference.

Asked if his remarks could mean that Korea can protect famous American trademarks, he said the two sides shared views in that direction at that time.

He added that the two countries decided to discuss the trademark rights issue further through patent experts talks in the days ahead.

An official said the two countries' legal systems differ so far as trademarks are concerned, explaining that whereas South Korea recognizes "application rights," the United States preferentially respects "established rights."

"It is feared, therefore, that the recent step may lead to shake the relevant domestic laws greatly," the official added.

A senior official who accompanied Trade, Industry and Energy Minister Kim Chol-su to his recent visit to the United States said a while ago that the United States sent a compact disk containing all of its trademarks to Korea and asked that South Korea protect all of them.

Minister Views Talks on Rent for U.S. Embassy

SK2309095294 Seoul YONHAP in English 0908 GMT
23 Sep 94

[Text] Seoul, Sept. 23 (YONHAP)—Discussion is taking place on collecting rent for the U.S. Embassy building in Seoul, but no conclusion has been reached, Culture and Sports Minister Yi Min-sop said Friday [23 September].

Yi said an assistant foreign minister met an American embassy official twice, in May and July, "but no concrete conclusion has been worked out yet."

At first the U.S. Embassy tried not to recognize the rent for the U.S. Embassy building as being "in credit-debt relations." Minister Yi said, adding that now the embassy acknowledges it so.

The minister said the U.S. side asserts it would be difficult to build an embassy building over a considerable period of time due to reduced budgets in its home country.

Agenda Given for 23 Sep U.S.-DPRK Talks

SK2309002594 Seoul YONHAP in English 0013 GMT
23 Sep 94

[Text] Geneva, Sept. 22 (YONHAP)—The United States and North Korea reopen high-level negotiations here Friday morning designed to rein in the communist state's nuclear ambitions.

U.S. Ambassador-at-Large Robert Gallucci and North Korean Foreign Minister Kang Sok-chu [title as received] will tackle issues that were deemed core elements in resolving the nuclear problem at last month's

high-level talks—the disposition of some 8,000 spent fuel rods taken from North Korea's 5-megawatt reactor, special inspection of two nuclear material storage sites, provision of light-water reactors to the North and the opening of liaison offices in the two nations' capitals.

The two sides have held a series of expert-level talks since last month's negotiations on these issues, and the negotiators will work based on the results attained at the experts' meetings.

Still to be settled are North Korea's resistance to accepting the South Korean model of light-water reactor, which Seoul and Washington insist is the only viable choice, and the sequence of different steps required by Pyongyang and Washington.

Gallucci, arriving in Geneva at noon Friday, said he was looking for progress.

Kang, who came one day before the American delegation, urged the United States to demonstrate "political will and decision" in solving the nuclear problem.

President's Letter to North Chief Delegate Viewed
SK2309031894 Seoul CHOSON ILBO in Korean 23 Sep 94 p 5

[Article by reporter Hong Sok-chun]

[Text] At the second session of the third round of the U.S.-North high-level talks, which will resume on 23 September, U.S. nuclear ambassador Robert Gallucci will present a personal letter from President Kim Young-sam to Kang Sok-chu, vice foreign minister of North Korea. It has been learned that the personal letter contains the promise: "If a ROK-style reactor is adopted and North Korea's nuclear issue is solved, including inspections of its past nuclear activities, the ROK will play a key role in providing aid for the construction of a light-water reactor for the North." It is not confirmed, however, if there is any specific mention that the ROK will bear the costs for the construction.

The plan that President Kim will guarantee with his personal letter support for the construction of a light-water reactor in North Korea has been secretly discussed by the ROK and the United States since the first session held in August. At the first session, North Korea's delegate Kang Sok-chu demanded that the U.S. side guarantee in writing that it would provide aid for the construction of a light-water reactor. It was learned that the United States presented such a request to our government.

The fact that the ROK and the United States had accepted such a request from North Korea means that they had mapped out a basic strategy of crossing "the bridge" at the second session in Geneva. Beyond the bridge North Korea is waiting to exchange the nuclear bargaining chip for the improvement of relations with the United States and economic aid. If we suppose a

happy ending, this is the scenario in the rough sense of the word. At one time, the government refuted the idea of sending the president's personal letter; but, the letter will appear on the negotiation table earlier than expected. This is because, it is said, there had been a judgment that it is essential to strengthen the position of those in North Korea who are in favor of dialogue.

The government's perception that there are two conflicting forces in North Korea—hawks and doves—also played a role. In fact, the sources say that at the first session, Kang Sok-chu repeatedly stressed the need to soothe the hawks in North Korea, including the military, who are objecting to the U.S.-North talks. Nonetheless, there still remains a question as to whether this was a North Korean-style special negotiation tactic with which North Korea had previously won concessions of the other party under the excuse that it had to persuade its people back home, while hinting in the meantime that hawks and doves exist inside North Korea.

It seems, in particular, that the United States is paying attention to the hard-line remarks made by Kim Chong-u, vice chairman of North Korea's External Economy Commission, at the expert-level talks in Berlin. It is analyzed that despite the fact that Kang had returned home after virtually accepting special inspections and a ROK-style light-water reactor, resistance by North Korean hawks led Kim Chong-u to remark: "A ROK-style reactor is unacceptable and special inspections are absolutely unacceptable." Accordingly, it seems that the ROK and U.S. Governments share the worry that if a guarantee of any kind is not presented, the U.S.-North talks may again be driven into a quagmire. There is something unclear in this point. This is because it is rare to see one delegate reverse another delegate's—the two delegates representing the position of the same government—statement, while the two delegates are alternately expressing hawk or dove remarks at different sites.

Our government's explanation is that President Kim's personal letter will bring to the fore our role in the process of the solution of North Korea's nuclear issue, exceeding the simple level of aiding North Korea. The letter will play a role in making sure that a ROK-style reactor is adopted and in making North Korea accept "ROK's key role."

One high-ranking official stressed: "If North Korea should insist on another type of reactor, despite President Kim's personal letter, this will mean that the U.S.-North talks have come to a rupture."

This notwithstanding, we cannot but say that it is still unknown if President Kim's personal letter will act like a ticket for an express train for the solution of the North's nuclear issue. This is because North Korea may possibly demand and regard as a fait accompli the fulfillment of aid for the construction of a light-water reactor—as promised in President Kim's personal letter—while continuing to use delaying tactics within the boundary of not breaking the framework of talks. After the talks begin, we

will be able to see whether North Korea will accept a ROK-style light-water reactor; whether it will give up reprocessing the spent fuel rods and reloading the five-megawatt atomic reactor; or whether it will completely return to the Nuclear Nonproliferation Treaty within this year as hoped for by the United States.

Third Round of U.S.-DPRK Talks Open 23 Sep

*SK2309105594 Seoul YONHAP in English 1049 GMT
23 Sep 94*

[Text] Geneva, Sept. 23 (YONHAP)—The second meeting of the third-round U.S.-North Korea high-level meeting opened at the U.S. mission office here in Geneva Friday [23 September] morning local time.

U.S. Assistant Secretary of State Robert Gallucci and North Korea's Vice Foreign Minister Kang Sok-chu led their respective delegations.

Sheridan Bell, a spokesman for the U.S. mission, said the meeting would last about three hours for the day, adding, however, that depending on mutual agreement, there may be an afternoon session.

A diplomatic source here said the second meeting would last for more than one week to discuss what the first meeting failed to agree on, such as the issues of handling of spent fuel rods, special inspections of two undeclared facilities, and support for light-water reactors.

South 'Willing' To Bear Major Cost for Reactors

*SK2309013194 Seoul YONHAP in English 0108 GMT
23 Sep 94*

[Text] Tokyo, Sept. 23 (YONHAP)—The Seoul government is willing to shoulder 70-75 percent of the burden for the 4-billion-dollar North Korean nuclear reactor project provided it can supply the model and technical assistance, the YOMIURI SHIMBUN reported.

In a report from Geneva on Friday, the Japanese daily quoted diplomatic sources as saying the South Korean Government expressed its position to the United States in talks on securing financing for the project.

YOMIURI said Washington will notify Pyongyang that Seoul will play the leading role in the project on the basis of preliminary discussions with South Korea, Japan, China and Russia.

The sources disclosed that South Korea is the only country which has expressed willingness to bear the financial burden for the planned international consortium, the Korea Energy Development Organization (KEDO), explaining that its establishment would be meaningless without the South's assistance.

The daily went on to say that Japan has also voiced its intention to offer financial assistance for the North Korean reactor project, but has not elaborated on the amount of financing.

Meanwhile, the sources explained that a direct American loan for reactor construction is impossible under U.S. domestic law, but predicted that the United States would pay KEDO's operating expenses—some 30 million dollars is needed to convert the graphite-moderated reactor at Yongbyon to a similar capacity thermal power plant, and 60-100 million dollar to ship 8,000 spent fuel rods in the North to third countries.

Minister: North Reactors Must Be South Type

*SK2309063794 Seoul YONHAP in English 0624 GMT
23 Sep 94*

[Text] Seoul, Sept. 23 (YONHAP)—Foreign Minister Han Sung-chu reiterated Friday that the light-water nuclear reactors to be supplied to North Korea must be of South Korean make and cannot be given before the North's past nuclear activities are revealed.

He offered assurances that Washington's 10-year nuclear disarmament plan will not undermine its security commitment to South Korea, stressing that the U.S. decision will bolster its position in dealing with the North Korean nuclear problem.

"The light-water reactor provision will be the core issue at the third round of U.S.-North Korea high-level talks," the foreign minister told the National Assembly Committee on National Unification and Foreign Affairs.

"South Korea and the United States have reaffirmed the position that a central role for Seoul is essential considering the financing and other practical elements in pursuing the light-water reactor project, and that the reactor model has to be that of South Korea," he said.

Seoul and Washington are clear on the point that U.S. rapprochement with North Korea and reactor assistance cannot take place without a guarantee of transparency in Pyongyang's past nuclear program, he said.

"South Korea and the United States will strive for a thorough and broad solution to the nuclear problem," Han said, "but we are also prepared for a situation in which there is no overall agreement."

The U.S. decision on nuclear disarmament, which goes beyond the original scaleback under the Strategic Arms Reduction Talks (Start), illustrates Washington's determination to realize disarmament, Han told the lawmakers.

"There seems to be an intention behind the decision to strengthen its call for a permanent extension of the Nuclear Non-Proliferation Treaty (NPT) when it comes up for renewal next April," he said.

South, U.S., Japan Study KEDO Supervision

*SK2309083394 Seoul YONHAP in English 0800 GMT
23 Sep 94*

[Text] Seoul, Sept. 23 (YONHAP)—South Korea, the United States and Japan are studying placing the Korea

Energy Development Organization (KEDO), the proposed international consortium that would assist in the North Korean light-water reactor project, under a non-governmental body guaranteed by consortium members.

A government official disclosed Friday [23 September] that the three countries are looking at such a civilian organ if Pyongyang remains opposed to Seoul's "open participation" in a governmental organization.

Although the three nations are hoping for a governmental organization in view of their direct financial contribution to the consortium, he explained, they will soon start its formation on a non-governmental basis provided the third round of U.S.-North Korean high-level talks reaches a package settlement on nuclear transparency and light-water reactor aid.

Some 10 countries are reportedly ready to take part in the consortium, including South Korea, the United States, Japan, China, Russia, France, Germany, Great Britain, Canada and Australia.

But the number of participating nations is expected to increase once they start its formation.

If it becomes a reality, the projected body will also handle the provision of alternative energy and the disposition of 8,000 spent fuel rods taken from a North Korean reactor.

The South Korean Government is reportedly planning to pay for 70- 80 percent of the 4-billion-dollar reactor project on condition a South Korean model is provided.

U.S. Scholar Interviewed on DPRK Situation

SK2309120894 Seoul *CHOSON ILBO* in Korean 22 Sep 94 p

[Report by Ham Yong-chun on news conference with Dr. Stephen Linton of Columbia University in Washington on 20 September regarding the situation in the DPRK]

[Text] Since Kim Il-song's death, the North Korean's anti-U.S. sentiment has generally and rapidly become pro-United States. However, the DPRK is showing an even more hostile attitude than before toward the ROK.

Dr. Stephen W. Linton, 44, of Columbia University's East Asia Center, stayed in Pyongyang from 13 to 17 September, the first U.S. civilian visitor to the DPRK since Kim's death. Linton made the above statement upon arriving in Washington on 20 September. He continued: "The North Korean people are on a flood tide of groundless optimism that the establishment of diplomatic relations with the United States will solve all their problems, including economic difficulties."

Dr. Linton, who is vice director of the Korean Affairs Research Institute at Columbia University, recently visited Pyongyang on missionary business concerning the Billy Graham Evangelist Association; he stayed at the Koryo Hotel. During his stay in Pyongyang, he met with

a broad range of North Korean people, including leaders of North Korea's Christians Federation and Roman Catholic Association; Song Ho-kyong, vice foreign minister and head of the Disarmament and Peace Institute; officials in charge of economic relations with foreign countries; and common people.

[Question] What was the atmosphere in Pyongyang?

[Linton] It apparently seems stable, contrary to my expectations. I saw many soldiers on the streets when I visited in February, but could not see many this time.

[Question] What is the explanation for North Korea not seeming so politically and socially strained, unlike other communist countries, such as the former Soviet Union, when an autocrat died?

[Linton] North Korea had been preparing for Kim's death for a long time; his son Kim Chong-il became the real successor over 10 years ago. This preparatory work will have an effect, at least for a short while. In addition, the ongoing effort for reconciliation with the United States removes North Koreans from great political and psychological pressure.

[Question] Is there any change in North Korean public opinion toward the United States?

[Linton] Yes. It's much better. The North Koreans seem to hope they will live well when diplomatic relations between the DPRK and the United States are established.

[Question] What is their hope based on?

[Linton] They believe the ROK has become rich and strong by cooperating with the United States. In other words, they think the ROK was lucky, and merely stood in a shorter line. North Koreans believe they will also live well when they are provided with U.S. support. They do not think there are problems in their system.

[Question] Does it mean they are willing to open up?

[Linton] It is a highly illogical idea. I am not sure whether North Koreans have a basic understanding of economy and competition; however, their attitude showed an understandable firm faith and confidence. I do not know if this was exaggerated for foreigners. The North Koreans attribute their economic difficulties to foreign countries, saying the national economic situation has become difficult since they have to prepare for coping with foreigners' aggression and interruptions.

[Question] How come they have such groundless optimism and such a simple view of reality?

[Linton] They view the world much too simply, much like the chusapa [those who follow North Korea's chuche idea] in the ROK who support a down-with-U.S.-imperialism philosophy.

[Question] How could North Koreans, who cry "down with U.S. imperialism," change so rapidly?

[Linton] The slogan "down with the Untied States" was a symbol for maintaining the North Korean regime. Of course, the generation that experienced the Korean War may still harbor some hostility, but the younger generation may not. North Koreans show a very familiar attitude when I met them individually.

[Question] I have heard North Koreans have good feelings toward former President Jimmy Carter because he recognized the North Korean people and treated them well during his visit to Pyongyang.

[Linton] Though he is a former president, they feel Carter changed his mind after Kim Il-song treated him warmly. Anyway, the North Koreans like him.

[Question] What is North Korea's opinion on the Clinton Administration?

[Linton] North Koreans are hopeful because Bill Clinton is the first U.S. president to deal with North Korea officially. In addition, North Koreans thanks Bill Clinton very much for expressing his condolences over Kim Il-song's death, viewing it in a favorable light.

[Question] North Korea has considered the ROK and the United States as their greatest enemies. Now, it has changed favorably toward the United States. How about the ROK?

[Linton] North Koreans bear a larger grudge against the ROK than ever before. They believe the ROK is interfering in relations between the United States and the DPRK. Furthermore, they continue to denounce the ROK for not expressing condolences over Kim's death.

[Question] It was the DPRK that initiated the Korean War and devised such incidents as the 21 January assassination attempt on the president, the terrorist attack at the Aung San Memorial Hall in Burma, and the bombing of a Korean Air flight by Kim Hyon-hui. Now they are speaking ill of the South for not visiting the mourning house.

[Linton] How would the North Korean general public know that? Information is strictly controlled by Pyongyang. The moment you are on a Pyongyang-bound airplane in Beijing, you are cut off from information. As you know, Pyongyang shows us buildings and sports facilities that are ordinary to us, and keeps telling us they are the world's first class. People there believe it.

[Question] Recently, Moscow Radio reported that Kim Chong-il will assume the presidency on 16 October, the 100th day after Kim Il-song's death.

[Linton] When I was in North Korea, people said he will become president on 9 September, the founding day of the Korean People's Army. They are all rumors. People whom I met did not say a word about it. They only stressed it is a national mourning period. In my opinion, the official succession will not take place this year.

[Question] What do the people think about the nuclear issue? Do they think the DPRK possesses nuclear bombs?

[Linton] Those things are not reported. They vaguely think foreign countries are finding fault with their nuclear research.

[Question] Why do they think nuclear research is necessary?

[Linton] They believe the research is to solve the power supply problem, not for nuclear weapons.

[Question] Regarding the power supply problem, how did the streets of Pyongyang look?

[Linton] It is not something new. Energy conservation has been stressed since long ago. There are not many street lights in Pyongyang, and the streets are dark at night.

[Question] What about food shortages?

[Linton] It is hard to determine the truth. One thing strange was that, at least in Pyongyang, people seemed to consume more fuel and food than in February.

[Question] Could you elaborate?

[Linton] There are more cabs in Pyongyang, more shops and restaurants, and more customers. There are more goods in the First and Second Department Stores. Near the Koryo Hotel they have Korean, Japanese, and Chinese restaurants, and even a pizza house and Karaoke bar. According to overseas Koreans, there are also hostess bars. I went to the newly opened "Pyongyang Bowling Alley." There were neon lights at night, and the streets were crowded.

[Question] What was the most significant difference from the past?

[Linton] My overall impression was that the system is becoming lax. People's attitudes toward foreigners has greatly improved.

[Question] Could you be more specific?

[Linton] I applied for my visa in the North Korean embassy in Beijing, expecting them to be very formal, but they were relaxed. They loudly chatted with each other. In the past, I had to ask the embassy to purchase a Korea Civil Aviation Company's ticket; this time, I purchased a ticket in the airline's Beijing office. They had installed new computers. On the airplane, the stewardesses used to speak little English and were cold to foreigners (Westerners). This time, they spoke better English, and even smiled. At Suan Airport in Pyongyang, x-ray detectors were installed and security checks were more strict. In socialist countries, there are not many airport checks once the visa is in hand, though it is very difficult to obtain a visa. The changes at Suan Airport means there are more visitors. These are small changes,

but in such a stiff society as North Korea, they are evidence the DPRK is opening up little by little.

[Question] North Korea proclaimed it will reunify the country in 1995. With such a gap in national power, do the people think it is possible?

[Linton] I do not know on what grounds, but they boast about it. They believe that only a small number of South Korean high-ranking officials are the problem, and that most others support the North. Once the U.S. Army is withdrawn, the high-ranking officials will all escape to the United States, and the nation will be reunified. Blood is thick, they say.

[Question] How many chuche followers do they think there are in the ROK?

[Linton] More than 90 percent. North Koreans live in a closed world.

[Question] What do people think about reunification by communization, as they used to proclaim?

[Linton] They do not talk about it directly. But the general public seems to think the time has passed when armed reunification was possible. A man I met on the street was speaking ill about South Korea. I asked: "Do you really think South Korea is a U.S. colony?" He could not answer, but smiled awkwardly.

North Students Studying at U.S. Universities

SK2309055894 Seoul YONHAP in English 0449 GMT
23 Sep 94

[Text] Washington, Sept. 23 (YONHAP)—Despite the uneasy state of Washington-Pyongyang relations, the United States has allowed North Korean citizens to study at American universities, it was revealed here Thursday.

A staff member at George Washington University here has confirmed that a student with North Korean citizenship registered at the school last year.

Another staffer at Georgetown University, also located in the U. S. capital, said he does not rule out the possibility of North Korean students enrolling. He explained that should that happen, internal procedures would be undertaken to determine whether to make the information public or not.

He went on to say that the university has an obligation to protect the privacy of each student as stipulated by U.S. law, emphasizing that if a North Korean student enrolled, the school would first sound out his intentions before making public his personal information.

In a telephone interview the George Washington staffer, confirming a North Korean student enrolled last year, said there are no data in the school's computerized register book concerning the student's major or contact.

American sources well versed in Korean affairs said previously that quite a few North Korean students have studied or are studying in America, explaining that the U.S. Government allowed them to register at private universities in consideration of U.S.-North Korean relations.

North's Efforts for Oil Exploration Reported

SK2309084294 Seoul MUNHWA ILBO in Korean 23 Sep 94 p 21

[Article by Han Chong-ho]

[Text] The current energy status in North Korea is receiving public interest ever since the DPRK agreed to a general energy survey as a precondition to U.S. support for alternative energy sources.

Prior to the second session of the third round of the DPRK-U.S. talks, Robert Gallucci, chief U.S. delegate to the talks, hinted on 21 September that the United States will conduct an "independent" energy survey in North Korea.

Apart from negotiations with the United States on light-water reactors, the DPRK has persistently spurred the development of oil fields and petrochemical facilities. CHOSON SINBO, the official publication of the General Association of Korean Residents in Japan [Chongnyon], recently reported that the DPRK is negotiating with an Austrian company (Nordex) on the construction of an oil refinery, and that a Swedish company (Arnerason) will participate in the project to expand Sungni Chemical Plant. An Australian company (Claremont) and its subsidiary (Beach Petroleum) also revealed they have signed agreements with the DPRK to explore for oil and gas in the North's Tongjoson-man.

The DPRK began exploring Sojoson-man in 1964 with its own technology. It has since persistently explored oil in sedimental basins in Tongjoson-man and Sojoson-man.

In 1987, the DPRK gave Sojoson-man's mineral rights to Iran's Liward Company and Australia's Meridian Company, and renewed the contract with Sweden's Taurus Company in 1993.

The DPRK and Japanese companies are engaged in basic exploration in Tongjoson-man. North Korean and Canadian petroleum companies are reportedly exploring for oil and natural gas in inland areas, including Kilchu and Myongchon. According to the seventh session of the Ninth Supreme People's Assembly held in April 1994: "Investment in the crude oil sector will increase due to improved exploring facilities and equipment. Efforts will be concentrated in exploring prospective areas to discover more crude oil fields." A Crude Oil Industry Ministry was reportedly added to the State Administration Council earlier this year.

Despite such efforts, the DPRK failed to discover economical oil fields due to a lack of technology and funds. After the collapse of the Soviet Union, Sungni Chemical Plant, which has a 2 million-tonne annual capacity, reportedly stopped operating. Up to 1990, North Korea imported 2.5 million tonnes of crude oil from the former Soviet Union and the PRC, but recently the volume was reduced by half. North Korea's energy problem is very serious.

Oil field development is critical in the DPRK, not only for economic reasons but also for overcoming the establishment crisis. The DPRK's oil development could be a latent variable in North-South relations.

[Notes to oil exploration map]

1. Aoji: In the late 1950's, 15 exploratory holes were drilled with Soviet and East European technology, but none were successful.
2. Kilchu: Exploration is under way with a Canadian petroleum company. Previous exploration in the 1960's was unsuccessful.
3. Anju, Pakchon, and Sukchon area: Indications of oil were detected in Sukchon in 1969, but later proved to be uneconomical.
4. Pyonggang: Test drilling began in July 1987. Details not available.
5. Sojoson-man: The DPRK first conducted explorations in 1964, using its own technology. Physical surveys continued from 1977 to 1985. The Norwegian company GECO conducted a physical survey in 1980. The Iranian company Liward and Australia's Meridian received mineral rights in July 1987. The contract was renewed with Taurus in February 1993.
6. Tongjoson-man: Physical surveys began in January 1986, with support from the Soviet Union. Japan's Tongyang Engineering Company conducted offshore exploration in 1993. A contract for oil and gas exploration was signed with Australia's Beach Petroleum in August 1994.

* Kim Yong-sam's North Korea Policy Criticized
942C0209A Seoul WOLGAN CHOSON in Korean Sep 94 pp 112-118

[By columnist Kim Yun-kon]

[Text] Still Seeking One-Sided Love Despite North's Insults

"I would like to add one thing. I expect that North Korea will agree to a North-South dialogue sooner or later."

That is what President Kim Yong-sam added at the end of the joint news conference on the evening of 23 July following his summit meeting with Japanese Prime Minister Murayama earlier. The public reaction was: "Seeing

that he went out of his way to say that, we would say he must be really hankering for a summit meeting ..."

While our side is stressing that the previous agreement to hold a North-South summit still stands, the North is ridiculing the South in vile language saying, "a shameless gibberish of a cunning bastard." Is a summit meeting worth so much that our side, despite such an insult by the North, is single-mindedly pursuing an unrequited love, so to speak?

We suspect that President Kim Yong-sam might well be ignorant of what kinds of brickbats the North is hurling upon him. Maybe, the abuses of the North have not been reported to him as they are. The high-ranking officials in charge of security affairs, feeling that it is imprudent to make such an embarrassing report to the president, might be following the maxim that "silence is golden" and refraining from running the risk of arousing the ire of the president and bringing the consequences upon themselves by making such a report.

On the other hand, we wonder if those in a position to make candid reports to the president might have some ulterior motive to conceal the vituperations of the North from the president. I am making this speculation because President Kim Yong-sam is not the kind of person who would stand such foul language too long.

If President Kim Yong-sam has been informed of the abuses by the North and yet there is not the slightest change in President Kim's inclination for a North-South summit, then this is a matter that needs to be analyzed in conjunction with the state of his mind. It could be possible that there is no room for any other thinking in the mind of the president who is confident that he could have dealt with Kim Il-song face to face, if only he had had a chance to meet him. For President Kim Yong-sam, who is burning with the sole desire to hold a North-South summit, he could be deaf to the vindictive of the North, however loud they may be.

Inappropriate Manner of Accepting Summit Proposal

While the North is hurling unbearable abuses at him in opposition to a North-South summit, President Kim Yong-sam is very eager to have a summit. But there are many mysterious aspects to the origin of President Kim's policy toward North Korea. Upon returning to Seoul from his Pyongyang visit, former U.S. President Carter informed President Kim Yong-sam that Kim Il-song proposed to meet President Kim Yong-sam "anytime, anywhere, and with no condition attached." President Kim accepted the proposal offhand.

That was a dramatic response which was out of line with the general practice followed in making policy decisions on foreign and national security affairs. That is why many citizens pointed out that the president was too hasty, thereby causing puzzlement to the United States and many other allies. Immediately after his meeting with Mr. Carter, President Kim Yong-sam was quoted as

saying to the officials who sat in on the meeting and some high-ranking policy makers, "Mr. Carter probably will reveal it to the press as soon as he leaves this room. So, we should announce it first." President Kim got the jump on Mr. Carter by announcing his acceptance of the proposal to hold a North-South summit "anytime, anywhere, and with no condition attached."

President Kim cannot bear the thought of being defeated at the hands of anyone, and apparently, this temperament of his manifested itself in this decision. Reportedly, there was no serious exchange of views and discussions with his high-ranking officials in charge of unification and security affairs, even for a brief moment. It is said that the president's determination was so strong that all had to follow his decision.

In fact, the way the proposal for a North-South summit was accepted was very inappropriate. When President Kim was informed by Mr. Carter of Kim Il-song's proposal to meet him "anytime, anywhere, and with no condition attached," he should have told Mr. Carter: "Oh, is that so? Please tell President Kim Il-song to visit Seoul at his own convenience." It would have been much better if President Kim Yong-sam had given a tentative answer in the affirmative in that way, and then had taken the initiative in taking pertinent measures.

When the first contact between the deputy prime ministers of North and South Korea took place at Panmunjom in preparation for the summit, our delegation reportedly received an instruction from President Kim Yong-sam that it agree to the North Korean proposal to hold the first round of North-South summit meetings in Pyongyang, without regard to whether or not Pyongyang would agree to a second round [in Seoul]. There is also some doubt about the process by which the said instruction was issued. At that time Yi Hong-ku, deputy prime minister and concurrently minister of the National Unification Board [NUB], and Chong Chong-uk, senior presidential secretary for foreign and national security affairs, were at the negotiating table at Panmunjom. It is a matter of great interest whom the president had consulted at Chongwadae before issuing his instruction. In this regard, a concerned official said that our delegation received the instruction when they left for Panmunjom. But even if that were true, how that instruction came to be adopted still remains a mystery.

Said a high-ranking official involved in making policies on unification and security affairs whom I met on a private occasion, "As a matter of fact, a North-South summit is the case of strange bedfellows." That was, in my opinion, a roundabout way of saying that there is a gap between his opinion and the president's view. President Kim was convinced that he would be able to discuss our national problems open-mindedly with Kim Il-song and change the course of history as a result, if only he had a chance to meet him. But the same high-ranking official said that was an impossible proposition.

Hidden Ploy Behind Summit Overture

Another high-ranking official said: "The death of Kim Il-song was really a blessing. If President Kim had a dialogue with Kim Il-song in Pyongyang and returned, how could we have checked the rampancy of the leftist forces that might break out in its wake?" This official was worried that much about the possible aftermath of a North-South summit.

We got the impression that the government was making every effort to realize a North-South summit by hook or by crook, nervously trying to see that nothing happened that would abort the proposed summit. In this attempt, the government did not care about the self-respect of our people, not to mention its own dignity.

When both sides agreed to hold a North-South summit in Pyongyang from 25 through 27 July acting on Kim Il-song's proposal to meet President Kim Yong-sam "anytime, anywhere, and with no condition attached," our government explained that our side yielded on the venue of the meeting whereas the North yielded on the date. But, that was not true. In reality, the South played into the hands of the North. The setting of the venue at Pyongyang gave the impression that the Pyongyang regime is the master of the Korean peninsula. Our government claims that the fact that the date was not set at 15 August represented the North's concession in return for our concession. But the avoidance of 15 August gave the impression that while the North's Kim Il-song was rejoicing over the day "Korea was liberated from the Japanese rule through the anti-Japanese struggle," we were not happy about Liberation Day.

According to a Korean resident in the United States who visited Pyongyang after the death of Kim Il-song, North Korea was hatching a big plot in connection with the date for a North-South summit. Pyongyang's plan was to propose at the first summit in Pyongyang that the second round of the North-South summit be opened in Seoul on 15 August. According to the North's calculation, if Kim Il-song arrived in Seoul on 15 August, at least 5 million people would pour out to the streets to welcome him.

North Korea planned to "summon" President Kim Yong-sam to Pyongyang on 27 July, its "War Memorial Day," and on Liberation Day [15 August], fan the feverish air of the pannational congress to its climax with Kim Il-song's "triumphant entry into Seoul."

Needless to say, our side would not have accepted Kim Il-song's attempt to enter Seoul on 15 August. But no one knows what our government would have done in an awkward effort to foil that attempt. Following Kim Il-song's death, North Korea unilaterally nullified the agreement on a North-South summit, and this move has something to do with the fact that it has become impossible to put that plot into execution.

It is questionable whether our side had seen through the conspiracy behind the North Korean overture for a North-South summit. This is because the government

even overlooked the fact that the North observes 27 July, the day the Korean war was brought to a halt with a cease-fire, as "Victory Day." Our government deserves the criticism that it hastily tried to hold a summit with no time to collect pertinent materials needed in formulating its policy toward North Korea. It is still doubtful whether our government keeps abreast of the situation in North Korea. Despite the absence of the man on the summit in North Korea following the death of Kim Il-song, our government is insisting on having a North-South summit meeting. It may be because of this that our government is unable to counter head-on the North Korean charge that our president is talking "gibberish".

Reasons for Myopic North Korea Policy

At a time when Kim Chong-il has not yet risen to the highest official posts, such as those of general secretary of the party and head of the state, the ROK is the only country in the world that hopes for the stability of the Kim Chong-il regime and takes the official stand that the regime should be given a helping hand. Even countries with friendly ties with North Korea did not go beyond expressing condolences on the death of Kim Il-song, taking a wait-and-see attitude toward the successor regime. The prevailing view in Russia, which knows North Korea better than any other country, is that even if the Kim Chong-il regime is installed, it will soon collapse. China, meanwhile, is showing its dissatisfaction not only with North Korea's failure to try a Deng Xiaoping-style reform and opening but also with the dynastic succession of power that is taking place in North Korea.

How should we view our government's attitude, which is leading the van in approving of Kim Chong-il's dynastic accession to power? Probably, President Kim Yong-sam cannot see the forest of an essential settlement of North-South relations for the trees of a North-South summit. Kim Il-song was behind the postliberation division of our country and the fratricidal war which we had no reason to experience in the first place. Accordingly, the death of Kim Il-song, the man at the bottom of our national tragedy, should be used to pave the way for reaching a fundamental settlement to end this tragedy. But all that our president has been interested in was how to carry out a brilliant negotiation at a yet unrealized summit instead of trying to grasp this opportunity. No wonder, he is scorned by the North, distrusted by the public, and looked upon by our allies with suspicion.

If so, why is President Kim Yong-sam's North Korea policy so narrow-minded and short-sighted? Presumably, it may be either because he is grandstanding too much or because he is influenced by a hidden group around him. Claiming that policies on foreign and national security affairs fall within the purview of presidential power, President Kim left the prime minister out in the cold in decisionmaking. This has had the effect of keeping the high-ranking officials who handle foreign and national security matters within their bounds, though.

A coordinating panel was set up because there was a discord inside the government over unification and national security policies. However, this panel is yet to earn a positive evaluation. The panel is staffed by the deputy minister and concurrently minister of the NUB, the foreign minister, the defense minister, the director of the Agency for National Security Planning [NSP], the secretary general of the Office of the President, and the senior presidential secretary for foreign and national security affairs.

The panel usually meets at the Secretariat for North-South Dialogue under the chair of the deputy prime minister and concurrently minister of the NUB. Logically speaking, the panel should adjust the ideas presented by various agencies and report the results to the president, who then sets final policies on the basis of these reports. But by all indications so far, that is not the case.

We get the impression that the function of the panel stops at adjusting varying views according to the desires of the president and solving problems that may arise when the desires of the president do not square with reality. No idea for drastically improving North-South relations has ever been presented to this panel.

Amateurish Brains, Expert Hands

Four of the high-ranking officials of the civilian government in charge of foreign and national security affairs, are all former academics. The defense minister is the only exception. People often call them "the Gang of Four Academics" or "the Security Gang of Four."

However, they are not like the Gang of Four who became notorious during the Cultural Revolution in China. The Gang of Four of the Cultural Revolution were a gangster group that usurped power on Mao Zedong's coattails. On the contrary, the Gang of Four in our civilian government are all respected scholars. They neither have an aggressive temperament nor have organized themselves into a clique for some specific goal.

It seems that they are bound by too many limitations in having their scholarly views reflected on the president's policy decisions. A high-ranking official who handles unification and national security affairs told me that they watch the president's humor before presenting their views to him. They should present their candid views on national security matters regardless of how the president feels about them; and if they find the president laboring under a misconception, they should try to correct him by all means. From what I heard from this official, I doubt that the Gang of Four is really acting as they should in this situation.

In the days when he was running about trying to become president, President Kim Yong-sam made the best use of scholars and experts as his brain trust. Given his ambition for the presidency in those days, he had to accept the bulk of their advices and recommendations. But when

these scholars took up government positions after the civilian government came into being, their relationship with the president changed into a relationship between the one who issues instructions and those who receive them. As a result, a vacuum was created in the president's brain trust.

President Kim Yong-sam's position on North Korea lacked consistency while trying to fill this vacuum here and there. In this process the "Gang of Four Academics" seem to have been pushed aside. As a consequence, an abnormal phenomenon has appeared in the civilian government, with experts playing the role of its hands and feet, and faceless and immature amateurs acting as its brain.

President's Inconsistent, Myopic Stand on North Korea

There is no knowing whether President Kim hits upon some wonderful ideas while jogging in the morning, as he said once in his television interview, or whether he has a hidden brain trust. The problem, however, is that his unification and national security policy has failed to win public trust.

Views presented at seminars and symposiums held by personages interested in the government's North Korean policy are generally negative about the government's policy approaches. Occasionally, some so-called progressive ideas are presented at these meetings, but the conclusion generally reached at the end of the debate is that the policy as it stands now will not work.

An expert who often attends these seminars and symposiums lamented: "Many recommendations were made, but I cannot really understand why the government is pursuing its policy in a different direction from those suggested by these recommendations." Quite a few of these seminars and symposiums are sponsored by government-financed organizations. The government spends money trying to ascertain the drift of public opinion and get some good ideas. But it fails to get the best out of these seminars and symposiums.

Nor is the government in tune with public opinion at the grass-roots level. Recently, opinion surveys on President Kim's popularity have become less frequent. But each time President Kim comes out with a new North Korea policy, we see more people become skeptical about his stand, asking themselves, "Why is he behaving like this?"

To be effective, a foreign policy must have a national consensus and nationwide support behind it. But the present government does not seem to be aware of this simple truth. In North-South relations we have always been pushed around by the North, and the reason is that our policy became impotent because the government looked away from public opinion.

It is not our people alone who are skeptical about our civilian government's North Korea policy. The United States, which is practically in charge of the West's

approach to the issue of the suspected North Korean nuclear weapons program, could knock out the nuclear facilities in Yongbyon in case the transparency of North Korea's nuclear program cannot be insured through negotiations. However, the United States is said to be considering ways to freeze North Korea's present nuclear capacity while acquiescing with the one or two nuclear warheads North Korea is suspected of having.

We hear U.S. experts complain that the ROK is just trying to tie the hands of the United State so that it cannot do anything at all. This amounts to saying that it is presumptuous of the ROK trying to hold the United States' North Korea policy in check while failing to come out with any clear method of approach. As was evident during the third round of U.S.-North Korea high-level talks in Geneva, the United States is trying to keep the ROK at a respectful distance.

When it comes to formulating policies, collecting public opinion, and promoting international cooperation against North Korea's nuclear potential, President Kim's leadership ability falls short of our expectations. In fact, he is not an expert on unification and national security issues. When asked, "How do you size up Kim Il-song of North Korea?" during a Kwanhun Club forum in which he participated as a presidential candidate, President Kim responded, "I would like to withhold my answer to that question." The audience took a positive view of his answer thinking that he must be very cautious about issues concerning North Korea and in the middle of mapping out some plans in his mind.

When the forum was over, candidate Kim Yong-sam's staff was satisfied with his answer, saying "It was really a good answer." At his inauguration ceremony, President Kim said that our nation is more important than any of our allies, and the public thought the statement refreshing in those days. But later his stand on North Korea proved deficient in vision and consistency as it changed three times.

During his 25 February news conference marking the first anniversary of his inauguration, President Kim was asked as many as seven questions on the issue of North Korea's nuclear capability. But he replied in essence: "Because this issue is currently under negotiation and very important, I had better not dwell on it on this occasion." His answer disappointed everyone. The president as the highest responsible person should have clarified his position precisely because it was an important issue.

Issues on North Korea Need Highly Strategic Approach

In fact, the issues of North-South relations, particularly that of North Korea's nuclear potential, are delicate and important. The handling of them requires expert knowledge and vision and must be accompanied by a high degree of strategy. They should not be approached by an amateurish way. They cannot be settled by one negotiating session. Therefore, unification and national security issues should be handled by an open, specialized,

government machinery in a professional manner. If there is a faceless brain trust, it should be made transparent.

It is inappropriate now to handle the issue of North-South relations in secret. To gain strong support backed up by national consensus, these issues should be handled openly and in a dignified manner. The president, on the other hand, should make his decisions from a broad point of view and hold himself responsible for whatever decision he makes. When he was a presidential candidate, President Kim once said: "In my opinion, the president does not need to know everything. Everything will be all right if he uses the right personnel." If he returns to the humble posture he had in those days, he will be able to pursue more appropriate unification and national security policies.

North Foreign Minister To Visit Southeast Asia

SK2309024294 Seoul YONHAP in English 0236 GMT
23 Sep 94

[Text] Seoul, Sept. 23 (YONHAP)—North Korean Vice Premier and Foreign Minister Kim Yong-nam will visit four Southeast Asian countries starting around Oct. 20, a diplomatic source here said Friday. This will be the North Korean foreign minister's first trip abroad since the death of President Kim Il-song in early July.

Kim plans to visit Thailand, Singapore, Malaysia and Indonesia, with Kim Chong-il's succession to power likely to be realized before his departure, according to the source. The foreign minister is also expected to inform these countries of North Korea's position on the third round of high-level talks with the United States.

The source said, "North Korea is discussing the detailed schedule for Kim's trip to the four countries. I've heard North Korea has expressed its hope for Kim to visit there from around Oct. 20."

South-Japan Joint Cooperation Meetings Held

SK2309102094 Seoul YONHAP in English 1015 GMT
23 Sep 94

[Text] Seoul, Sept. 23 (YONHAP)—The Korea-Japan and Japan-Korea Cooperation Councils on Friday [23 September] adopted a joint statement stressing that their countries' economic cooperation with North Korea can be made only after the North Korean nuclear question was resolved completely.

The 32nd joint meeting of the two councils held at Hotel Shilla in Seoul said in the statement the nuclear question can be settled only when the transparency of North Korea's past, present and future nuclear activities is ensured.

The meeting also agreed that there should be stepped-up security dialogue among South Korea, Japan and other relevant countries for peace and stability in Northeast Asia.

The two councils decided to set up a youth exchange center and many other devices of bilateral exchanges so as to further invigorate overall exchanges between the two countries.

About 100 leading Korean and Japanese politicians, businessmen and academicians took part in the meeting. Among them were former Prime Minister Sin Hyon-hwak, Rep. Yi Sung-yun, Sunkyong Group Chairman Chae Chong-hyon and Ken Harata, acting chairman of the Japan-Korea Parliament Union.

Samsung Aids Russian Communication Modernization

SK2309054994 Seoul MAEIL KYONGJE SINMUN in Korean 23 Sep 94 p 11

[Reporter Chu Ho-sok]

[Text] Samsung Electronics is to participate in the modernization of communication facilities in Russia. Kang Chin-ku, chairman of Samsung Electronics, and Vladimir Bulgak, Russian minister of communications, have recently signed a memorandum of understanding (MOU) at Samsung's plant in Kihung, Kyonggi Province, on cooperation in the communications equipment project.

With the signing of the MOU, Samsung will cooperate and exchange information regularly and continuously with Russia on the latter's communications policy, and the Russian central government will ensure that Samsung be allowed to conduct free business activities in the Russian market. Therefore, Samsung has secured an advantageous position for advancing into the Russian communications market, which is estimated to be about 3 million circuits and \$1.4 billion per year.

To cultivate Russia as a strategic base for the export of communication systems, Samsung Electronics is conducting training sessions, inviting 30 engineers and technicians from communication facilities.

In order to increase exports of communications equipment, Samsung is planning to invest \$13 million by next year and establish technological assistance centers in eight strategic points in Russia to strengthen its technological assistance system to Russia.

Seoul Not To Join Meetings Using 'Sea of Japan'

SK2309021694 Seoul YONHAP in English 0155 GMT
23 Sep 94

[Text] Seoul, Sept. 23 (YONHAP)—The South Korean Government has decided not to attend any international conference that uses "Sea of Japan," the geographical name for the body of water between Korea and Japan that Seoul says is a remnant from the Japanese colonial period earlier this century, officials said Friday.

Seoul will inform conference attendants of its opposition to the name "Sea of Japan" and refuse to participate if they insist on using the label, they said.

Foreign Ministry officials said no exact date has been fixed, but they hoped to hold bilateral talks with Japan in Seoul in early November to settle the issue. South Korea insists on calling the area "East Sea," reasoning that it lies east of the Asian continent. "Sea of Japan" was the term used by Japan when Korea was its colony between 1910 and 1945. Old maps are designating the body as the East Sea.

The Seoul government faced a public outcry when the Foreign Ministry was found to have agreed to the name "Sea of Japan" in documents at a recent environmental conference, the Northwest Pacific Action Plan (NOWPAP). The conference skirted the controversy by labeling the entire area according to latitude and longitude. Four Foreign Ministry officials were reprimanded for failing to oppose using "Sea of Japan" at the NOWPAP conference.

* Changes in Export Markets Analyzed

942CO154 Seoul CHUGAN MAEGYONG in Korean 20 Apr 94 pp 18-21

[Text] Export Market Domain Changing

While the major Korean export markets such as the US, Japan, and the European Union are slowly on the decline, China and ASEAN are on the rise, thus forming five great markets. At the same time, the major exports which had been light industry ones until the early 1980's are changing to heavy chemical industry ones.

ASEAN Third Largest Market

"The major trade trend index" which the Korean Traders Association recently analyzed on the basis of last year's export performance speaks about this situation in detail. The value of last year's total exports from Korea was 82.23 billion dollars.

Analysis based on each market showed that the US has continuously held the first position, with exports amounting to 18.13 billion dollars. However, its ratio to the total amount fell from 23.6 percent in 1992 to 22.1 percent. Compared with 35.5 percent in 1985, its peak time, these figures show its ratio decreased by about one-third, with the US holding the discolored first position.

The exports to Japan, the second largest market, also decreased by one percentage point to 14.1 percent from 15.1 percent in 1992.

The exports to EU decreased to 11.4 percent from 12.0 percent, with the EU barely holding onto the third position. But compared with ASEAN to which the exports recently are rapidly increasing, EU holds the lead by only 76 million dollars.

The exports to the northern regional markets around China showed an 83.7 percent increase, letting the markets hold 8.8 percent of occupation, increased sharply from 5.5 percent in 1992. Among the markets, China held 6.2 percent of occupation in 1993, up from 3.4 percent in 1992, challenging the higher circle intensely. The growth rate in Korea's exports to China shows 94.1 percent last year following 164 percent in 1992, continuously increasing rapidly.

The reason why the change of the market domain is noted is because this situation is going on this year, and ASEAN notably is passing the EU to become the third largest market.

While the exports to each region as of the end of February showed 21.8 percent to the US and 11.2 percent to the EU, down over last year, those to ASEAN showed 12.0 percent, a 0.6 percent point increase. Those to Japan showed 14.2 percent, which increased a little due to the appreciation of the yen. Those to China showed 6.0 percent, becoming level over the last few years.

But the total exports to all the northern regional markets shows 8.9 percent, 0.1 percent point up from last year. The growth rate of exports to China until last February shows 25 percent, much faster than that of all the northern regional markets (9.3 percent), and is expected to increase more than 8 percent annually.

Exports to China Increasing Up to 8.1 Percent

In the outlook made public at the end of last year, the Korea Traders Association expected this year's total exports would amount to about 90 billion dollars and expected the following export rates for these regional groups: 22.2 percent (\$20 billion) to the US, 13.5 percent (\$12.2 billion) to Japan, 11.3 percent (\$12.2 billion) to ASEAN, 10.5 percent (9.5 percent billion) to the EU, and 8.1 percent percent (\$7.3 billion) to China. These figures indicate there will be some changes in the market rankings.

At the same time that the existing three-largest-market structure is changing into the five-largest-market structure, great changes are occurring in the ten largest export country rankings.

ASEAN's ups and the EU's downs are remarkable. During 1993, while there was no change in the first, second, and third rankings (US, Japan, and Hong Kong), there were many changes in the rankings of the countries below the fourth position. China advanced to fourth position from sixth in 1992, and India (to ninth position) and Thailand (to tenth position) for the first time in the top ten.

On the other hand, England which had held sixth or seventh position until the 1980's, barely held tenth position in 1992, and fell below tenth position in 1993. Accordingly, Germany, the only EU country, held fifth position. And Canada which was a major export country

in the past continues to remain below tenth position since 1992, and Panama which held ninth position in 1992 also fell below the tenth position.

Accordingly, among the Asian region, seven countries (excluding Japan), such as China, Hong Kong, Singapore (6th position), Taiwan (7th position), Indonesia (8th position), India and Thailand advanced into the top ten markets, making a display of their influence.

Such a change in the export market domain is mainly attributed to the fact that exporting light industry products so far to the advanced nations has gradually decreased, and exporting heavy chemical industry and capital goods to the developing countries and the northern regional countries has increased.

Even until the early 1980's, most of Korea's export goods were light industry ones such as textiles, footwear and toys. The export markets of these goods were, of course, the advanced nations such as the US and EU. But due to the rise of labor costs and land value in Korea, the competitiveness of these goods in the international markets has gradually weakened, as these markets are being taken away by the least developed developing countries.

On the other hand, with increased demand by ASEAN and the other northern regional countries, heavy chemical industry products such as electronic and electric products and machinery are becoming Korea's major export goods. Although last year's exports of heavy chemical industry products increased 13 percent over the previous year, higher than the average rate of growth in exports (7.3 percent), those of light industry products decreased 23 percent.

The exports of footwear and toys particularly experienced decreases of 27.5 percent and 0.336 percent each. Those of textiles grew only 1.1 percent. Such a decline in exports has been occurring until recently: the exports of light industry products in 1992 decreased 0.9 percent over 1991. Among them, exports of footwear and toys showed a downward trend.

On the other hand, the exports of heavy chemical industry products progressed favorably as a result of increased competitiveness due to the appreciation of the yen, compared with the exports of automobiles which increased by 58 percent, steel 23.1 percent, general machinery 23.1 percent, and electronic and electric products 12.3 percent.

Similarly, the importance of exports of heavy chemical products and light industry alternate, that is, while the exports of electronic and electric products, steel and automobiles increased by 1 percent to 1.5 percentage points each, those of textiles and footwear decreased by more than 1 percentage point each. The exports of textiles fell to 19.3 percent, below 20 percent for the first time.

The Export of Light Industry Products Decreasing

Of the total exports, those of heavy chemical products in 1993 recorded 66.1 percent and light industry products

30.0 percent, which is gradually decreasing. Those of the primary industry products also showed 3.9 percent, down from 5 percent in the 1980s.

These changes, as the export region changes, are still going on this year. As of the end of February, the exports of the electronic and electric products showed 32.4 percent, exceeding 30 percent for the first time.

The export of textiles showed 18.1 percent, a sharp decrease. As a result, the average export rate of light industry products fell below 30 percent (28.3 percent).

In connection with this, the Korea Traders Association expects the exports of the heavy chemical industry products to increase remarkably this year: electronic and electric products by 14.7 percent, general machinery by 24 percent, automobiles by 17 percent. However, it expects that those of textiles and footwear will increase only by low single-digit percentages, with the average growth rate of light industry products of about 2.0 percent.

The ten major export items are also changing. Korea's major export items which until the early 1960's had been the primary industry products such as iron ore, raw silk, and cuttlefish changed to the industrial products such as textiles and electronic and electric products in the 1970's and 1980's.

Even until the 1980's, however, textile goods were the top exports and footwear the fifth. Thus, the light industry promoted economic development. Since the early 1990's, deprived of its first position by electronic and electric products, textiles have held the second position but its importance is gradually decreasing.

As industry continues to progress, the importance of automobiles, general machinery, chemical engineering products and plastics, etc., increases, and they become the new chief items in exports. However, footwear which had been in the third position in exports until 1990 dropped to eighth position last year, barely maintaining its past fame.

Thus, as the export markets change, the export items are also changing at the same time, that is, the decreasing weight of the advanced nations' markets means fewer exports of light industry products.

The increasing export of heavy chemical products is closely related to the increasing importance of the export markets in developing countries.

It is because these countries' demands for machinery, plants, and related products are increasing. Lately, due to the appreciation of the yen, exports of heavy chemical industry products such as automobiles, electronic and electric products to advanced nations, are increasing.

The analysts who have watched the changes of the export markets and products are divided into two groups whose opinions are contrary to each other. Some think that intensively exporting heavy chemical industry products

renders great services to change Korea's industrial structure. The others are afraid that attaching importance only to the developing countries and the northern regional countries which demand such products, Korea might neglect the markets of the advanced nations including the US, the largest market in the world. Despite the fact that decreasing exports of the light industry products cannot be avoided, the competition with advanced enterprises in the advanced nations' markets should not be avoided.

Competition Due to Heavy Chemical Industry Products

Due to the heavy chemical industry products, now a leading industry in Korea, competition with the advanced enterprises cannot be avoided and its grounds will be the advanced nations' markets. Therefore, Korea should make greater efforts to heighten its international competitiveness, they say. It is their view that because Korea will fall behind the other countries in technological competition if it aims only at the backward countries' markets, it should actively cultivate trade with advanced nations, expand its services, and improve the quality of its goods.

Fortunately, since this year, the increasing appreciation of the yen is encouraging Korea. It is the general view that due to the trade trouble between the US and Japan, the super high exchange rate of about 105 yen to the US dollar will continue for some time.

This means Korea has a little scope to heighten its competitiveness in quality of goods. The main point is that the enterprises should make good use of these circumstances to become more competitive.

In the golden opportunity of the three-declined situation in the latter half of the 1980's, it was a great mistake for Korean enterprises to have been so confident about its international competitiveness. They should never make such a mistake again.

The words that the golden opportunity of the three-declined situation in the past was helpful to Korea means that Korea's exports have significantly increased as a result of Japan's enterprises investing heavily in Korea, some analysts say. This also means that presently the investment of the advanced enterprises, including those of Japan, is keenly needed in Korea.

Prosecution Continues Probe of Inchon Case

*SK2309070094 Seoul YONHAP in English 0642 GMT
23 Sep 94*

[Text] Inchon, Sept. 23 (YONHAP)—Nearly 5.7 billion won in local tax revenues has been embezzled by officials at the North ward office in this western port city, and the prosecution expects the amount to reach 12 billion won when it finishes sorting out counterfeit tax receipts from those kept by the ward office.

The Inchon prosecution said Friday it has separated 1,089 fake acquisition tax receipts worth 4.3 billion won from those seized Thursday at the in-laws of Kang Sin-hyo, 54, an official from the ward office's evaluation section who was arrested on embezzlement charges, bringing to 5,685 million won the total amount stolen by tax officials.

The prosecution has already finished checking and computerizing receipts, which were handed over by the North ward office on Sept. 15, and is now comparing the receipts with bank records to determine whether they are authentic, according to prosecution sources.

It is trying to determine the authenticity of about 74,000 local tax receipts, with a face value exceeding 200,000 won each, out of several million receipts. The combined face value of the selected 74,000 receipts surpasses 130 billion won.

The prosecution said about 5 percent of the receipts it has checked thus far turned out to be counterfeit. It expects 5 percent or 6.5 billion won worth of receipts could be bogus out of the total face value of 130 billion won.

The total amount embezzled by the Inchon tax officials will be determined by next Tuesday when the prosecution is done comparing receipts kept by the ward office and those held by banks, according to the sources.

Government Appoints New Mayors, Governors

*SK2309064294 Seoul YONHAP in English 0612 GMT
23 Sep 94*

[Text] Seoul, Sept. 23 (YONHAP)—The government has appointed Yi Yong-nae, assistant home minister for planning and management, as the new mayor of Inchon city in place of Choe ki-son, who resigned earlier to assume responsibility for tax revenue embezzlement by some officials at the city's Puk-ku (North ward) office.

In a reshuffle affecting five other big-city mayors and provincial governors, the government also named Kim Ki-chae, the Home Ministry's assistant minister, as Pusan City's new mayor, replacing Chong Mun-hwa.

Kang Un-tae, a presidential secretary for home affairs administration, was handed the Kwangju City mayoralty to fill the shoes of Kang Yong-ki.

Meanwhile, Ho Tae-yol, director of the Home Ministry's civil defense headquarters, was appointed governor of North Chungchong Province while Cho Nam-cho, chief administrator of the forestry administration, was named governor of North Cholla Province. Cho Kyu-ha, vice chairman of the federation of Korean industries, was given the gubernatorial post of South Cholla Province.

In connection with the reshuffle, Home Minister Choe Hyong-u said the government has selected new officials who are capable of managing fair local elections next year and carrying out administrative reforms effectively.

He disclosed that the new officials will not stand in the local polls next year, but will see to it that they are held in a fair manner.

Foreign Dignitary Reception Expenses Disclosed
*SK2309024794 Seoul YONHAP in English 0229 GMT
23 Sep 94*

[Text] Seoul, Sept. 23 (YONHAP)—The government spent 549 million won (686,250 U.S. dollars) on receiving 10 foreign heads of state last year after the new administration was inaugurated on Feb. 25, 1993.

Expenditures for President Kim Yong-sam's official visit to the United States, including his attendance at the Asia-Pacific Economic Cooperation (APEC) summit in Seattle last November, were tallied at 3,627 million won (4,533,750 dollars).

In a report submitted to the National Assembly, the Foreign Ministry disclosed Friday that out of 12,620 million won in its reserve fund, 11,490 million won was dispersed for the Somalia peacekeeping operations, reception expenses for foreign dignitaries visiting the country and other purposes, with a remaining balance of 1,130 million won.

When German Chancellor Helmut Kohl visited South Korea in March, the first foreign head of state to do so

following the inauguration of the new administration, reception expenditures came to 94 million won.

In receiving four visiting heads of state—New Zealand Prime Minister Jim Bolger, Philippine President Fidel Ramos, Peruvian President Alberto Fujimori and Australian Prime Minister Paul Keating—a total of 213 million won was spent out of state coffers, averaging over 53.2 million won per dignitary.

For Indian Premier Narasimha Rao and French President Francois Mitterrand, both of whom visited here in September last year for two nights and three days, the government paid 118 million won in reception expenses.

A total of 87 million won (108,750 dollars) was shelled out for then-Japanese Prime Minister Morihiro Hosokawa and Singaporean Prime Minister Goh Chok Tong, who visited the country in November last year.

On the other hand, for the visit by U.S. President Bill Clinton the treasury used 37 million won out of an allocation of 44 million won, registering the smallest sum in reception expenses per person.

For President Kim 's visit to Los Angeles and Seattle from Nov. 17-25, 4,670 million won was allocated, but only 3,627 million won was spent with the remaining 1,043 million won counted as "saved".

Burma**Commentary Views Bishop's Meeting With Bo Mya**

BK2209154294 London BBC in Burmese to Burma 1345 GMT 22 Sep 94

[Commentary by Larry Jagan from the "Current International Affairs" program]

[Text] In the past few days, the Anglican bishop, Reverend Andrew Mya Han, met with Karen leader General Saw Bo Mya at the Manerplaw headquarters for the second time. Karen sources say progress has been made for cease-fire talks with the SLORC [State Law and Order Restoration Council] military government. Although nothing definite is known about the contents of the talks, opposition sources say Reverend Andrew Mya Han is currently in Bangkok on his way to Rangoon.

Last month, Reverend Mya Han tried to mediate peace talks between the Karen armed organization, the KNU [Karen National Union], and the SLORC. Top SLORC military officials say Reverend Mya Han is working independently and is not an official intermediary appointed by the SLORC government. SLORC government circles said the clergy responsible for peace negotiations with the national races did not hold a dialogue with Reverend Mya Han when he returned from Manerplaw the first time. They claim this second trip was also not ordered by the SLORC. A top SLORC official told the BBC that the SLORC authorities believe the matter initiated by Reverend Mya Han will achieve results.

Christian sources in Rangoon say the SLORC knew one month ahead about Reverend Mya Han's first planned visit to meet with the KNU. Although Reverend Mya Han did not directly ask the SLORC's permission, Anglican sources in Rangoon say he gave full information to the SLORC about his journey and discussions with Gen. Saw Bo Mya. Senior SLORC officials previously admitted difficulties in opening communication links for discussions with the Karens. However, in the Kachin and Mon cases, religious leaders were kept as mediators by mutual agreement. Sources at the Thai-Burma border say that because the Karen leaders respect Reverend Mya Han, he is expected to become the mediator between the KNU and the SLORC.

The Karen side is still proposing that peace talks be held outside Burma in the presence of independent observers. SLORC officials say, however, that this proposal will be absolutely unacceptable to the military government. They also say that since the peace talks issue is an internal matter it must therefore be held within the country.

Two Soldiers Reportedly Slain in Karen Attacks

BK2309062794 Bangkok BANGKOK POST in English 23 Sep 94 p 8

[Text] Tak—Two Burmese soldiers were killed and two others wounded in two separate attacks by Karen

National Union (KNU) soldiers on a village and a small military outpost in the outskirts of the Myawadi opposite Mae Sot District of this northern border province early on Wednesday. According to a report reaching the Border Patrol Police yesterday, a number of KNU soldiers fired seven rounds of 106mm rockets at the Yebu village shortly after 1 a.m., killing one Burmese soldier and wounding two others. Shortly afterwards, KNU soldiers attacked an outpost of the 101st Battalion from Kawmoora Camp, killing a Burmese trooper.

Cambodia**Government Issues Communique on Cabinet Meeting**

BK2209134594 Phnom Penh National Radio of Cambodia Network in Cambodian 1100 GMT 22 Sep 94

[Press communique of the Office of the Spokesman of the Royal Government issued in Phnom Penh on 21 September—read by announcer]

[Text] At 0830 on the morning of 21 September a plenary session of the cabinet was held under the chairmanship Prince Krompreah Norodom Ranariddh, first prime minister; and Samdech Hun Sen, second prime minister of the Royal Government of Cambodia to examine and approve:

- I. The bill amending the finance law for budget administration in 1994;
- II. The draft amendment of Articles 20, 45, and 55 of the finance law for 1994;
- III. The bill on income tax; and
- IV. The draft subdecree on the passport of the Kingdom of Cambodia.

After listening to the report and after the debate, the cabinet has decided the following:

- I. The bill amending the finance law for budget administration in 1994:

The cabinet agreed with the bill. However, the Royal Government will strive to find legal procedures to economize the national budget and to reduce unnecessary expenses of various ministries and institutions in the Kingdom of Cambodia.

- II. The draft amendment of Articles 20, 45, and 55 of the finance law for 1994:

Articles 20, 45, and 55 of the finance law for 1994, promulgated by the decree No. 02 NS dated 28 December 1993, have been amended:

New Article 20. Apart from the enterprises under the jurisdiction of the investment law of the Kingdom of Cambodia, the rate of profit tax is 20 percent on profit made by legal entities.

The meeting agreed to amend Article 45. As for the new Article 55, the meeting agreed on the point saying that in whatever case official group or establishment, or public organizations, including state enterprises, joint ventures, enterprises receiving concessions from the state, and private enterprises cannot conceal professional secrets from tax agents carrying out their official duties who have proper mission orders and who ask for information and various documents that are directly related to the determination of tax and duties.

III. The draft law on income tax.

The meeting agreed on the creation of the law on income tax to benefit the state budget with only small improvements.

IV. The draft subdecree on the passport of the Kingdom of Cambodia.

The meeting agreed on the principle establishing a new passport, which consists of three types: diplomatic, official, and ordinary.

The diplomatic passport is for officials with the following ranks who carry out mission abroad:

1. The king, the queen, and their children;
2. Advisers to the king, chairman of the National Assembly, vice chairman of the National Assembly, prime minister, deputy prime ministers, state ministers, and ministers;
3. Officials of the clergy and officials who are appointed by decrees;
4. Director and general secretary of the king's office and National Assembly members;
5. General secretary of the National Assembly;
6. Director of the office of the National Assembly Chairman, of the prime minister, of the deputy prime minister, state ministers, and ministers;
7. Former chairmen of the National Assembly, former prime ministers, former ministers of foreign affairs;
8. Career diplomats;
9. Wife, husband, and children under 18 years old also have the right to carry diplomatic passports like their husband, wife, and parents.

The Ministry of Foreign Affairs and International Cooperation have the task to issue diplomatic passports. The validity of this passport is initially three years, may be extended every two years, and will expire seven years after the day it was originally issued.

The official passport is for officials in general who have to carry out missions abroad. Its validity and extension period are the same as the diplomatic passport.

The ordinary passport is for Cambodian citizens of both sexes aged 18 and above to be used for traveling abroad. The Interior Ministry can issue this ordinary passport except when it is stipulated otherwise in Article 16 of the draft subdecree.

As for the Ministry of Foreign Affairs and International Cooperation, it has the right to reject all types of passports in the case they are forged or lost in whatever conditions.

The bill amending the finance law for the 1994 budget administration; the bill amending Articles 20, 45, and 55 of the finance law for 1994, and the bill on income tax will be submitted to the National Assembly for adoption soon.

The cabinet closed its session at 2115 with a spirit of agreement and high responsibility.

Phnom Penh, 22 September 1994

Indonesia

Commission's Pledge To Improve Rights Viewed *BK2209130294 Jakarta SUARA PEMBARUAN in Indonesian 7 Sep 94 p 2*

[Editorial: "The Observation of Human Rights in Indonesia"]

[Text] Baharuddin Lopa, secretary general of the National Commission on Human Rights (HAM), said the practice of the human rights principles in Indonesia has not yet reached an optimal level. He is optimistic, however, that the commission can improve the human rights practices in the country. This was stated by Lopa on 3 September when asked by reporters about the outcome of the commission's plenary session held on 2 September in Jakarta. According to Lopa, the plenary session was a routine meeting to discuss and evaluate the commission's achievements in implementing its work program. Thus, Lopa's optimism on the future implementation of the human rights protection in the country was certainly based on the evaluation report.

We often hear about the peoples' complaints addressed to the House of Representatives (DPR), the Legal Aid Bureau, the National Commission on Human Rights, and other institutions concerning their experience as victims of human rights violations. It is hoped that the people will be informed about any further actions that are taken and that a comprehensive solution achieved will be achieved to put an end to the complainers' grievances. In this way the people will understand to what extent the grievances are true, and how the commission resolved them.

If the commission's secretary general expresses optimism that the protection and promotion of human rights will be improved in the future, we assume that this must be based on the experience of the members of the

commission and the human rights violation cases handled by them. We do not know in detail what Lopa meant by making such a statement, but we do understand the gist of it, and our opinion is the same. Because there is a positive development in our country and in the livelihood of the people due to the success of our national development plan, the development achievements will continue to bring more progress and improvements to all sectors. This, in turn, will also create wider opportunities for the commission to fulfill its obligation to promote respect for, observation of, and protection of human rights.

We are aware that one of the significant impacts of the national development achievements is the improvement in the quality of life of our people even though the levels are not yet equal across the board. By this, we mean that obviously, the people have become more knowledgeable and are aware of their rights as Indonesian citizens and as a part of the whole society. Individually, they are becoming more conscious that, as human beings, they are equally entitled to human rights protection and fundamental freedoms.

On the one hand, we also have to realize that there are a variety of opinions expressed by the people on their understanding of the protection and promotion of human rights and on how they should be applied to suit the various aspects of life. Due to the differences of opinions on the objective and practical implementation of all human rights, it may be complicated for the commission to protect human rights. It will also create tension among the several groups of people concerned with human rights protection.

Perhaps we should make a more concrete statement and detailed explanation on our interpretation of the human rights issue and how we would observe them to provide for the various aspects of life. In Indonesia's case, when we talk about human rights, certainly we mean to say that our observation of the human rights principles is based on the Pancasila state ideology and in accordance with the 1945 Constitution.

Let us cite an example: The implementation of human rights based on the understanding of an individualistic liberalism stresses the individual's rights in a society. In this way the human rights practice ignores the wider interest of the general public.

On the other hand, the human rights practice that is based on socialism is inclined to ignore the people's interest and stresses self-interest, which is unfair. The implementation of human rights protection based on an unfair policy is opposed to the Pancasila ideology that implicitly recognizes and respects the rights of an individual and a society.

We probably require a more elaborate constitutional formula and resolution to enhance our understanding and the implementation of human rights. In this way, sketchy and confusing comprehension of the subject,

which may give rise to misunderstandings and tension among the people, can be prevented.

Besides, the perception about and implementation of human rights is dynamic and parallel to the development in the country and the lives of the people. Therefore, our struggle for the observation and protection of human rights should be contextual with the existing condition in the country and the quality of the people. We agree with the commission's secretary general that in line with the national development success and the progress achieved by the people, the future implementation of human rights protection in Indonesia will be improved. The practice will be more effective when the people become more aware of and feel committed to observing human rights.

Police Seize Homemade Firearms, Explosives

BK2209151094 Jakarta ANTARA in Indonesian 0906 GMT 22 Sep 94

[Excerpt] North Lampung, 22 Sep (ANTARA)—Police Lieutenant Colonel Ardi Supardi, chief of North Lampung Subarea Command, said that police seized several homemade firearms, gunpowder, and explosives in an operation early this week.

Ardi told ANTARA about the seizures on Thursday as he accompanied Police Colonel Endang Suwanda, chief of the Lampung Police Region, on a visit to Kotabumi. He said that the firearms and explosives were seized by a police unit during an operation to wipe out robbery gangs in several subdistricts in the area. He said that of the eight homemade firearms seized, three were long types of guns while the rest were short types or pistols. "All the homemade weapons resembled traditionally-assembled firearms, with only rubber and piling steel used on some parts of the guns," he said, adding that several suspects had been detained at the police subarea station for further investigation.

Lt. Col. Ardi said the police also seized two long and three short types of firearms in Pakuon Ratu, North Lampung. At the same site, they found three sticks of bamboo containing about 1 kg of gunpowder ready to be detonated, a bag containing gunpowder, and some factory-made bullets. In the same operation, police also found two masks used by the robbers. [passage omitted]

Laos

Prime Minister Issues Decree on District Chiefs

BK2309042694 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 23 Sep 94

[Decree No. 133/134/135/136/137/138 issued by Prime Minister Khamtai Siphandon on the appointment of chiefs of Saisomboun and other districts in Vientiane Municipality on 5 September—place not given]

[Text] With reference to Article 60 of the Constitution of the Lao People's Democratic Republic, the decision of the Lao People's Revolutionary Party Central Committee Political Bureau on establishing Saisomboun Special Zone, a recommendation by the mayor of Vientiane Municipality, and a memorandum of the Personnel Management and Administration Department, the prime minister has issued the following decree:

Article 1. It is decided that Douangsi be appointed chief of Thathom District; Vanna Loyiatou chief of Hom District; Bounmi Soukkhavong chief of Saisomboun District in the Saisomboun Special Zone; Phomma Vongbouppha chief of Chanthabouli District; Lieutenant Colonel Bounthon chief of Sikhottabong District; and Major Bouakeo Samounti chief of Hatsaifong District in Vientiane Municipality.

Article 2. The Prime Minister's Office, ministries, organizations attached to the center and all localities throughout the country, and all appointees are instructed to acknowledge and to strictly comply with this decree.

Article 3. This decree becomes effective immediately after it is signed by the prime minister.

Ministry Issues Regulations on Aerial Photography

BK2209122194 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 21 Sep 94

[Text] On 19 September, the National Defense Ministry issued an instruction to the offices of all ministries, ministerial-level organizations, provinces, municipalities, army units, enterprises, and mass organizations on the management of aerial survey and photography.

The instruction says: With reference to the Prime Minister's Office Release No. 839/PMO dated 2 July 1994 on the transfer of the work in carrying out aerial survey and photography to be under the management of the National Defense Ministry; the study of the aerial survey and photography technical service of the National Defense Ministry, aimed at ensuring the maintenance of national security and intelligence information; and the reality of the execution of work in the past, it is noticed that the storage of aerial photographic films has apparently been managed in a scattered and unorganized manner, thereby failing to ensure the maintenance of national confidential data. In addition, the conducting of aerial flights in geological surveys for oil deposits and forest resources still remains unorganized. Therefore, the National Defense Ministry would like to request the offices of all ministries, ministerial-level organizations, state enterprises, and foreign and local companies that are currently conducting [aerial] surveys for natural resources in the Lao People's Democratic Republic [LPDR] to comply with the following regulations:

1. Ministries, organizations, and enterprises wishing to conduct aerial survey flights for whatever purposes must have in their possession the following documents:

a. a permit for the implementation of a project issued by the Government or the Foreign Investment Management Committee;

b. a request from the ministries, organizations, and companies related to such a project submitted to the Combat Department of the General Staff Department through the office of the National Defense Ministry for acquiring permission to carry out aerial survey flights;

c. a map with specific areas marked for aerial survey photography.

2. After conducting aerial photography, developed films from such a mission must be first inspected by a technical service of the Combat Department before prints can be made from them.

3. All films of aerial photography made in all scales and related to the national defense strategy must be collected and kept by the Combat Department at the National Defense Ministry. Other films not related to the national defense strategy must be kept at the National Maps Department.

4. It is absolutely prohibited for any aerial photographic films to be taken out of the territory of the LPDR except in such exceptional cases as a lack of technical equipment for conducting research work on the developed films. However, permission must be acquired from the Combat Department of the General Staff Department and the Ministry of National Defense. Moreover, a technical cadre from the combat department must be assigned to accompany the films and return them back to be stored at the Combat Department.

Upon receiving this instruction, all offices of the ministries and ministerial-level organizations, and enterprises are requested to render unified cooperation to the ministry for correct and unified implementation in accordance with the spirit and letter of this instruction.

Thailand

Former Police Chief To Sue TIME Magazine

BK2309123394 Bangkok BANGKOK POST in English 23 Sep 94 p 3

[Text] Former police chief Gen Sawat Amonwiwat said yesterday he would file a defamation suit against TIME magazine. He alleged the magazine September 19 issue claimed he had one of the missing Saudi jewelery pieces.

Pol Gen [Police General] Sawat said the article, written by Barbara Rudolph as reported by William Dowell in Bangkok, has damaged his name and family and caused the public to believe he was among those who had the missing items. The article gave a rough account of the Saudi jewelery scandal implicating a number of Thai police officers after some of the jewelery, stolen from the palace of a Saudi prince in 1989 were recovered from Thai worker Kriangkrai Techamuang and a number of

buyers. But some of the recovered jewelery pieces were found missing after they were returned to Saudi Arabia.

"One place the missing gems may have ended up is on the arms and necks of top police officials' wives," the article says. "A newspaper photograph shows the spouse of the then police director-general Sawat Amonwiwat wearing what looks like one of the missing pieces. A cousin of the woman's was one of the jewelers fencing the gems, but Sawat insists that the photo was doctored," part of the article says.

Meanwhile, Pol Maj-Gen [Police Major General] Warasit Phomloet, commander of the Second Special Branch Division, said police responsible for printed matter in his division were going through the article. He said he was waiting for a recommendation for action from the police.

Pol Maj-Gen Warasit said if Pol Gen Sawat felt offended he could file a defamation lawsuit immediately.

Foreign Ministry on SLORC-Aung San Suu Kyi Talks

*BK2309055694 Bangkok BANGKOK POST in English
23 Sep 94 p 8*

[Text] The Foreign Ministry views the meeting between the Burmese military junta and the Nobel Peace Prize winner Aung San Suu Kyi on Tuesday as an improvement in their internal situation.

Director-General of the East Asian Affairs Department Don Pramutwinai said although the topics of their discussions was still unknown, friendly dialogue is always a good sign.

"They (the military regime) must have been sincere and had good reason to hold talks with Aung San Suu Kyi. There is nothing else that we can think of," he said

Mr Don made the comment in response to report that Gen Than Shwe, chairman of the State Law and Order Restoration Council (SLORC), had a "friendly discussion" with the symbol of Burma's democratic movement after her five years of house arrest. The director-general, however, said the meeting did not appear to be a turning point for the SLORC to free Aung San Suu Kyi.

Meanwhile, Foreign Minister Prasong Sunsiri, speaking before the Association for Foreign Policies in Germany on Tuesday, said he had received a report that the dialogue would take place. He said ASEAN—grouping Brunei, Malaysia, Indonesia, the Philippines, Singapore and Thailand—remains convinced that the policy of constructive engagement is the most suitable approach towards Burma.

"We have played our role to make its leadership aware of the benefits that would ensure their political and economic reforms and encourage them to keep the momentum of the changes going." Sqn Ldr [Squadron Leader] Prasong said.

The foreign minister said ASEAN was also encouraged by the positive changes in Burma as its participation in the ASEAN meeting in Bangkok last July reflected the mutual recognition of the need for ASEAN and Burma to foster better understanding and cooperation.

* Surin on Ministry's Economic, Burma Policies
*94SE0202A Bangkok THAN SETTHAKIT in Thai
14-16 Jul 94 p 8*

[Interview with Deputy Foreign Minister Surin Phitsuwian; date and place not given]

[Excerpt] [Passage omitted] [THAN SETTHAKIT] Inasmuch as the Foreign Ministry has changed its policy and is more interested in economics now, I would like to have you evaluate the efforts of the ministry with regard to what has been achieved in the past six months.

[Surin] It is necessary to place importance on economics because economics is now the language of diplomacy. I think that there have been many places where the private sector or state enterprises have been grateful to the Foreign Ministry for opening the way for them whether it was in eastern Europe, the European Union, Africa, the Middle East or in some Asia-Pacific countries which have not opened up much, such as some archipelagos. The reaction we have gotten from the private sector and the state enterprises is their appreciation that the Foreign Ministry has opened the way and made things convenient and that everything flowed smoothly. This could clearly be seen in the Middle East, specifically in the United Arab Emirates, Bahrain, and Kuwait. In this area we pressed for investment, and we encouraged private business from Thailand to go into open markets, to survey markets, and to get to know various countries. Just recently there were two delegations. One delegation went to northwestern Europe or the Nordic countries. As for South America, the minister just took a delegation there. In Africa now we know that except for the internal changes in South Africa our economic relations are very good. Tourism is increasing, and investment, trade, and everything else is moving up. The ministry has stressed this point with our ambassadors, consuls, and office heads abroad. In this regard I just attended a meeting in Casablanca, Morocco. I went to open an embassy there, and I met with diplomats in Africa and in the Middle East about how we needed to shift out of the first and second gears we had been in. The gist of these discussions was about how our politics, relations, security, and philosophy needed to change because the world had changed. The language of diplomacy now is the language of economics, trade, business, and investment. Therefore, each ambassador and consul had to justify his office with regard to whether it could sell anything where it was, how much it could promote Thai tourism, and how much it could promote Thai investment or their investment in Thailand or our area because there was no other reason to have an embassy or consulate. With regard to relations or reducing the tensions in the world, the

minister could talk on the telephone with other ministers directly if there were some sort of a problem. With an embassy or a consulate there were expenses and taxes. The Foreign Ministry is a small ministry with a very small budget, but we want to justify the budget we get. So if they have nothing to do with regard to trade, investment, tourist promotion, or promotion of economic relations, then there is no reason to have them. Therefore everyone is thinking about changing gears and becoming interested in economics and economic data. It is good to speak the language of economics, and we should take an interest in it.

[THAN SETTHAKIT] Why are you going to Kunming?

[Surin] I am going to Kunming to open a consulate. This is an important step. This consulate will be in the Economic Square. It is the latest point we have obtained. We are thinking of opening a consulate later in Keng Tung, and we will. In Laos we have a consulate in Luang Prabang. We have been talking about other locations such as Savannakhet and Boten, but these talks have not concluded yet. But with regard to showing the importance of this policy, the opening of a consulate in Kunming and the raising of the Thai flag in Kunming will clearly show that we intend to open up the Economic Square office as planned. This is opening up a new area. It is a new frontier for trade, investment, tourism, and communications.

[THAN SETTHAKIT] You mentioned that you would go to open a consulate in Keng Tung. Could you say when?

[Surin] This is being planned. It depends on the Burmese. In like manner they ask us how ready we are. We have to work out things like this together.

[THAN SETTHAKIT] Consider the situation. It is not certain that you will open the consulate in Keng Tung that easily because the Burmese Government still has problems with minorities in the Shan State.

[Surin] A road is now being built from Tha Khi Lek to Keng Tung. It will continue on from Keng Tung to the Chinese border. From there it will go to Chinghung and Kunming. When this road is completed, communications will be more convenient, and there will be greater demand for traffic back and forth. We used to have a consulate there, and therefore it is nothing new. When the Burmese are ready, we will probably hold talks beforehand. There are many questions about the border which will have to be considered and managed. For example with regard to Ranong and Victoria Point (Kawthaung) consideration will be given to customs, immigration checkpoints, and setting up the necessary units to provide conveniences. Later there will be a casino and a hotel. One thing will lead to another, and there will be growth on the Burmese shore. Those who go there will be provided the conveniences just as they are on the border with Laos and Cambodia.

[THAN SETTHAKIT] Some feel that there is a great deal of uncertainty with regard to the Burmese Government. No one can say when this government will collapse. Holding talks with the Burmese Government might involve uncertainties also. How does the ministry feel about this?

[Surin] In regard to relations with another country, we do not have any choice other than that which our government has established. So there is no point to wonder whether a certain government will collapse. We have already offered to be a bridge and a doorway from the outside into Burma. As a neighboring country with which we share our history, with which we have had cultural, political, and economic relations for so long, and with which we share a border for more than 2,700 km over land and water, I think there is no other choice but to communicate with them. Other people and groups might think some other policy more appropriate according to their analysis, but in general I think that communication and maintaining relations, including being an intermediary between Burma and the outside world, is the best policy. If tensions should occur, it would affect the entire border area noticeably. If that happened, those other people with their other analyses would be in the position of explaining to 58 to 59 million people how this happened. We all remember the incident on hill 491 when there were demands made in this room that we fight and take this measure and that measure. Then we remember that one of our district leaders was captured. The government almost died. If we should follow a bad policy like that, then we would be in the position of dealing with incidents like that over the 2,700 km of border. I say there is no other choice except gradually through give and take to understand them, to hold talks to help them understand us, and to provide opportunities for them such as our invitation to Burma to join as a guest in the ASEAN meeting which is coming up.

Central Bank Fears Increase in Inflation

BK2309080694 Bangkok BANGKOK POST in English
23 Sep 94 p 19

[Text] The Bank of Thailand fears big spending by the Government in September, the last month of this fiscal year, will increase inflationary pressure which can destabilise the economy. A total of 70 billion baht 11.2 percent of the country's national budget of 625,000 million baht this fiscal year, has yet to be spent by state agencies. If this full sum is spent this month it could push up inflation. Inflation could be made worse by state officials receiving a pay rise on October 1, totalling 30 billion baht a year.

The percentage of the budget left unused compares with 9.5 percent last year and in 1989, the biggest in the last six years. The lowest was 7.2 percent in 1990.

Central bank spokesman Phisit Li-atham said yesterday the country's industrial index in the first seven months

of this year was 10.6, based on the 12-month moving average figure, less than 12.3 posted in the same period in 1993. The private investment index rose at a slower pace, but was not alarming at 103.6.

Thailand's consumer price index calculated from the past 12 months was 4.5 percent, he said. In July it was 4.3 percent. The whole year to December should see the figure rise to 4.8 percent.

During the first seven months of this year, Thailand's exports were worth about 609,800 million baht, up 21.2 percent from those in the same period last year, he said.

Exports of industrial goods rose 24 percent, especially those in the plastics industry (30 percent) because of higher demand with major markets being Japan and Singapore. Plastic products rose 34.1 percent, computers and parts 37.3 percent and electrical circuit boards 22 percent. Fishery products rose 24.2 percent, with frozen shrimp rising the most at 34 percent. Exports of agricultural goods rose only 2.9 percent.

Imports of non-oil goods rose 15.3 percent. Total imports during the first seven months were worth 749,000 million baht, up 14.7 percent from those in the corresponding period last year.

Imports of consumer products jumped 23.6 percent, with concentration on electrical appliances, household goods, food and beverages. Imports of capital goods grew 17.9 percent including circuit-boards and related products, computers and peripherals.

Imports of oil increased 8.6 percent with imports of oil products dropping 18.5 percent, while imports of petroleum rose 42.4 percent.

* CP Group Official Views Technology Transfer

94SE0222C Bangkok DAO SIAM in Thai 31 Jul 94 p 7
 [Text] In his capacity as the representative of Mr. Thanin Chianwanon, the president and chairman of the board of the Charoen Phokphan conglomerate [CP], Mr. Chalieo Suwannakitti, the deputy managing director of the Charoen Phokphan conglomerate, gave a speech at the Management 2000 conference held at the Sirikit National Conference Center. He said that "Thailand's industrial sector has grown rapidly. But technological capabilities have not kept pace. We have had to rely on importing technology from abroad. Because of the present economic crisis in the world, this is a good opportunity to transfer high technology from leading industrial countries such as Germany, Japan, and the United States in the form of joint ventures. The focus should be on modern technology in order to increase our ability to produce high-quality products that can compete on world markets."

"At a time of worldwide economic competition, it is imperative that Thai businessmen join forces and cooperate on the business front in order to generate bargaining power with our trade partners. The government should stipulate a clear policy to support the private sector."

Mr. Chalieo said that "the changes that have taken place in the world have led to the opening of markets without borders. This has created international markets for us and turned international raw materials into our raw materials. We can now obtain raw materials from around the world to produce goods that can be sold throughout the world.

"However, in a business world characterized by rapid changes and strong competition using modern communications technology, for businesses to compete on world markets efficiently, they must have an efficient financial management system and be capable of mobilizing capital from outside the country. The state must implement suitable monetary and fiscal policies and do things quickly.

"By the year 2000, the service sector and competition in the international service trade will be expanding at a very rapid rate. This will be the case in everything from the agricultural sector to the industrial and service sectors. Thus, we have to increase the value of our human resources in terms of management in order to create opportunities, and we must use the potential of our people in order to benefit both them and society. CP plans to become heavily involved in retail trade, because it feels that this is a great opportunity."

As for managing the CP conglomerate, the corporation adheres to the principle of distributing administrative power. The organization has been divided into nine business groups. Company officials take a very long-range approach in carrying on business activities. This comes from the leader of the organization, and it has led to stipulating a strategy for hitting the administrative targets within the organizational culture.

In conclusion, Mr. Chalieo said that "the year 2000 will be a year of challenge for both the public and private sectors. People in the public and private sectors must work together closely in the arena of world market competition. This will increase the security of the nation and improve the lives of the Thai people."

* Crown Prince Pilot Training, Experience Noted

94SE0221A Bangkok THAI RAT in Thai 28 Jul 94 p 19

[Excerpt] [Passage omitted] When the opportunity arose, the Crown Prince thought about pursuing military training abroad. He wanted to gain more knowledge and experience in Air Force activities. He began by training on Bell UH-1H helicopters. He saw that this was a multi-purpose aircraft that could be used to visit troops and people in various places.

The Crown Prince underwent the same training as other pilots. He had to pass the physical examinations and other examinations in accord with Air Force regulations, because a person who wants to be a pilot must be in excellent physical condition and have good eyesight and hearing. If a person is not in excellent physical condition, he may not be able to handle the aircraft very well and

that could pose a danger to the pilot. When the Crown Prince began learning to fly helicopters, he studied academic subjects and took actual flight training at the same time. He had a real love of flying. He studied the characteristics of flying a helicopter, which is different from flying other types of aircraft. The training was very arduous, but he did not give up. He was very patient and was able to fly solo after just 14 hours of training. Besides this, he also learned to fly the BF 15 Machetti training aircraft. He completed his training after just 70 days, with 172.20 hours of flying to his credit. Of that, 30 hours was solo flying.

The Crown Prince has been very diligent with respect to flight training. He has learned to fly a number of different types of aircraft, including the BF 12 jet aircraft, T-33 aircraft, BF 11 jet aircraft, and T-33 aircraft. He has also trained on high-performance fighter aircraft such as the BK 18 K/K and F-5 E/F, which at that time was the Air Force's best high-performance fighter aircraft. But no matter how difficult the training was, the Crown Prince never became apprehensive. He went through all the phases of training until he was knowledgeable and skilled in flying fighter, interceptor, and transport aircraft and in using weapons to hit aerial and ground targets. He underwent a rigid course of training and is capable of engaging in various types of combat.

Besides this, in order to learn modern flight techniques and tactics to help develop our Air Force so that it is on a par with those in the developed countries, in 1982 the Crown Prince went abroad to undergo additional training. He took the tactical fighter aircraft course at Williams Air Force Base in Arizona. He underwent applied tactical flight training in the use of ground and air weapons and studied aerial combat tactics. He had to train both during the day and at night in all kinds of weather. And he earned a name for Thailand, because he became the first pilot from Southeast Asia capable of refueling in midair.

After returning to Thailand, he served as a fighter pilot with the Air Force. He flew BK 18 or F-5 E/F aircraft, and he continued going on flight training missions. This included solo flights, training as a member of the flight crew, and training in the use of air-to-air and air-to-ground weapons. He also participated in the aerial weapons competitions held in Chai Badan District, Lopburi Province. The results of those competitions showed his excellence in the use of aerial weapons. He was awarded a first class medal in the use of rockets, bombs, and aerial machineguns, which means that he scored very high.

Besides this, the Crown Prince once demonstrated the use of tactical air power for the king and queen by leading a flight of BK 18 aircraft in attacking targets. That was a low-level attack in very dangerous weather. That demonstration greatly pleased the king and queen. That clearly showed that the Crown Prince was intent on

fulfilling his mission as a pilot, that he had made careful plans, and that he understood the weapons systems and aircraft.

The Crown Prince, who holds the rank of air chief marshal, has been sacrificing much of his own time for many years now. In addition to his regular duties as the commander of the King's Guard Command, which is subordinate to Supreme Command, he also has many other duties to perform in his capacity as "crown prince." And he is gaining the knowledge necessary to defend the country.

The Crown Prince has logged 1,000 hours flying F-5 aircraft. Thus, the Air Force has given him a flight instructor's license. Last May, he taught a new class of pilots who had never flown F-5 aircraft before. He frequently reminds people that being a pilot gives people a sense of sportsmanship, because you have to know defeat as well as victory and there are rules that can be applied in daily life. [passage omitted]

Vietnam

Deputy Prime Minister Receives Japanese Envoy

*BK2209150494 Hanoi VNA in English 1355 GMT
22 Sep 94*

[Text] Hanoi VNA Sept. 22—Deputy Prime Minister Nguyen Khanh received here today Mr. Nobuo Matsunaga, director of the Institute for External Relations and special envoy of the Japanese Government.

Mr. Nobuo Matsunaga expressed his pleasure at Vietnam's rapid and effective renovation in the cause of socio-economic development since his visit to Vietnam two years ago. He said that he would do his best to contribute to the promotion of the cooperation and friendly relations to bringing practical interests to both Japan and Vietnam.

Deputy Prime Minister Nguyen Khanh, for his part, highly valued the Japanese Government's cooperation and support for the cause of socio-economic development of Vietnam. He expressed his hope that the relations between Vietnam and Japan would be further expanded in all fields of economy, culture and society, and that Vietnam will create favourable conditions for Japanese businessmen to effectively invest in Vietnam.

Radio Reviews Economic Relations With Germany

BK2309050794 Hanoi Voice of Vietnam Network in Vietnamese 0015 GMT 23 Sep 94

[Text] For quite some time, Germany's key trading partners included other European countries and America. But in the past several years, Germany has paid special attention to expanding trade and cooperation with Asian countries, including Vietnam. Many German leaders appraise Vietnam as a traditional German partner with many favorable conditions because many

Vietnamese know Germany and speak German fluently. In addition, Vietnam is an open market with great potential.

Our nation's renovation process with its initial achievements has drawn keen interest from many German businessmen who are visiting Vietnam in larger numbers every day.

Trade exchanges between Vietnam and the Federal Republic of Germany in recent years have increased rapidly with the following encouraging figures: In 1993, trade exchanges between the two countries reached almost 700 million Deutsche marks, a two-fold increase compared to that of 1992. German goods exported to Vietnam are traditional items such as machines, equipment, and chemical products while Vietnamese goods exported to Germany include textile products, dress-making, feathers, leather, frozen maritime and plastic products, coffee, synthetic thread, cotton, and wooden items.

In addition to maintaining its two-way trade relations with Vietnam, Germany also provides huge amounts of aid. Since 1990, when a number of issues were yet to be resolved, Germany was one of the first countries to provide development aid to Vietnam in the framework of technical cooperation. Afterward, Germany extended financial assistance to Vietnam, increasing the amount every year. In 1990, it was 12 million Deutsche marks and the figures doubled in the ensuing years. In 1993, it reached 63 billion Deutsche marks.

As it has done in the past, the Federal Republic of Germany continues helping Vietnam in the technical, consultative, and financial domains, thus enabling us to develop our economic, banking, and public management systems; strengthen our protection over the environment and natural resources; and improve our transport and communications, telecommunications, and energy. Moreover, Germany has also participated in various projects of the European Union, the United Nations Development Program, the Asian Development Bank, and the World Bank to help Vietnam develop further.

Germany has also positively helped Vietnam settle its foreign debts. Thanks to this effort, Vietnam and Germany signed at the Paris Club a framework agreement under which Germany will settle with Vietnam the 160 million Deutsche mark debt in accordance with conditions set by the Paris Club.

During the German Finance Ministry delegation's recent visit to Vietnam from 12 to 16 August, the Vietnamese finance minister and his German counterpart, on behalf of their respective governments, signed a protocol on

reducing and suspending Vietnamese debts. Under this agreement, the German Government has agreed to shift the 76 million Deutsche mark debt of the former Saigon administration into an aid package for Vietnam to finance its projects on protecting and preserving the environment and fighting hunger and poverty. Specialists from both countries, however, contend that economic relations between Vietnam and Germany are still not on par with the capabilities and requirements of their respective nations. As a result, it is essential to promote and strengthen these relations.

His Excellency Klaus Kraemer, German ambassador to Vietnam, remarked that German businessmen are now keenly interested in Vietnam and are trying to do more to compensate for their slow approaches in the past. Various large German corporations have cooperated with Vietnam in producing cement and trucks, in assembling BMW cars in a Hanoi suburban area in October this year and Mercedes cars in Ho Chi Minh City, and in exploiting iron ore in Thach Khe District of Ha Tinh Province. The ambassador also asserted that Germany has consistently supported Vietnam's efforts to renovate its economy and that German development aid to Vietnam will increase every year to enable Vietnam to continue carrying out incomplete projects. The German ambassador said that Germany has recently allotted 29 million Deutsche marks to help Vietnam restore its forests, especially forests at the mouth of the Lo River. He said that Germany has also conducted research to serve Vietnam's economic reform projects such as those aimed at reforming the administration, strengthening the legal system, improving banking, and building social and health insurance programs.

Libyan Joint Committee Holds Economic Discussion

*BK2209150894 Hanoi VNA in English 1413 GMT
22 Sep 94*

[Text] Hanoi VNA Sept.22—The Vietnam-Libya Joint Committee held its 6th session here this morning.

The session was attended by an economic delegation of the Libyan Government led by Mr. O. Mohamed Kaiba, minister of marine products and president of the Libyan sub-committee [name and title as received] who is here on a working visit and an economic delegation of the Vietnamese Government led by Mr. Ngo Xuan Loc, minister of construction and president of the Vietnamese sub-committee.

At this session, the two sides reviewed the implementation on the cooperation plan between the two countries set forth at the 5th session held in May 1993, and worked

out a new plan on bilateral cooperation in economy, commerce, marine products and so on in the coming period.

This afternoon, Prime Minister Vo Van Kiet received Mr. Mohamed Kaiba who expressed his satisfaction at the positive development of the friendly and cooperative relations between the two countries in conformity with each nation's benefits and aspiration. M. Kaiba reaffirmed that the Libyan Government and people have always wished to develop their friendship and comprehensive cooperation with Vietnam. He said he hoped that the results of this session would usher in a new stage in the Vietnam-Libya relationship. He stressed that the Libyan Government would do its best to develop its mutually beneficial cooperation with Vietnam for each country's prosperity.

For his part, Prime Minister Vo Van Kiet highlighted the results of the session, and reaffirmed that the Vietnamese Government and people have always supported Libya's sound foreign policy for an independent and prosperous Libya. He asked Mr. Kaiba to convey his best regards to the Libyan president and people.

China To Assist in Forestry Projects

*BK2309072794 Hanoi VNA in English 0546 GMT
23 Sep 94*

[Text] Hanoi VNA Sept. 23—China will help Vietnam regreen a number of regions by [words indistinct] venture with Chinese entrepreneurs to process splinter and bamboo products.

The commitment was made during a ten-day visit to China from Sept. 10 by Professor Dr. Nguyen Quang Ha, minister of forestry.

In the meeting with Chinese Minister of Forestry Xu Youfang, the two ministers agreed on cooperation between the two forestry branches in exchange of scientific and technological information and expansion of joint-venture cooperation on the basis of equality, mutual preference and benefits.

During his stay in China, the Vietnamese forestry minister was received by Chen Junsheng, member of the State Council and visited a number of research institutes of Beijing University, the Academy of Forestry, the [name indistinct] Institute for Tropical Forestry Research and [words indistinct] farms and forest product processing establishments in Shanghai.

Australia

Ray Rejects Possible Involvement in Spratlys

*LD2009164194 Melbourne Radio Australia in English
1600 GMT 20 Sep 94*

[Text] The five-power defense pact which links Australia, New Zealand, and Britain to the defense of Singapore and western Malaysia may be extended to east Malaysian territory claimed by other Asian powers. As Trevor Watson reports from Singapore, Australia's defense minister, Senator Robert Ray, has sought to play down the possibility of Australia becoming embroiled in a regional conflict.

[Begin Watson recording] While there was no formal agreement during a five-power defense ministers' meeting here, there was considerable support for an extension of the pact to cover east Malaysia. The area includes the states of Sabah and Sarawak and islands in the oil-rich Spratly group claimed by Malaysia as well as China, Vietnam, Taiwan, the Philippines, and Brunei. But the ministers sought to play down the possibility of Australia, New Zealand, and Britain becoming embroiled in a conflict over the Spratlys, saying the territorial dispute was moving towards peaceful resolution. [end recording]

Further on Visit by Indonesian Vice President

Evans, Sutrisno Meet 22 Sep

*BK2309053594 Jakarta Radio Republik Indonesia
Network in Indonesian 0000 GMT 23 Sep 94*

[Text] Indonesia appreciates Australia's attitude of not interfering in its domestic affairs such as the human rights issue in East Timor and the government revocation of licenses of three Jakarta publications. This was stated by Vice President Try Sutrisno during a meeting with Australian Foreign Minister Gareth Evans in Canberra yesterday. On the occasion, Gareth Evans reiterated his government's noninterference policy in the domestic affairs of Indonesia. Evans said that ties between Australia and Indonesia have entered a level of partnership that is heading toward promoting the common interest of both countries.

Sutrisno Addresses Dinner

*BK2209141094 Jakarta Radio Republik Indonesia
Network in Indonesian 1200 GMT 22 Sep 94*

[Excerpts] Australian Prime Minister Paul Keating addressed a seminar hosted by the Royal United Services Institute of Australia in Canberra today. [passage omitted]

Foreign Minister Senator Gareth Evans hosted a dinner function for visiting Vice President and Mrs. Try Sutrisno at the Parliament Building in Canberra tonight. Here is Joko Sarsono, of RRI [Radio Republic of Indonesia] reporting from Canberra.

[Begin recording] [Sarsono] About two hours ago, Vice President and Mrs. Try Sutrisno were feted to dinner by Gareth Evans at the Australian Parliament Building in Canberra. The dinner proceeded in a very friendly atmosphere, and the two sides exchanged views on measures to enhance bilateral relations between Indonesia and Australia. Evans reiterated that Indonesia remains Australia's friend and said his government will continue to lend support to Indonesia's efforts to create a zone of peace.

Meanwhile, Vice President Try Sutrisno said that although Indonesia and Australia have their differences, this will not lessen efforts to promote bilateral friendship between the two countries.

[Sutrisno] We should not dramatize and become involved in a prolonged debate over the differences. Instead, we should seek a common stand to resolve the differences so that we could bring the two countries closer. We, who are located in the Asia-Pacific region, hope that the formation of APEC [Asia-Pacific Economic Cooperation] will create prosperity and stability in the countries in the region. Being the host of the APEC conference, Indonesia will make sure that the upcoming conference will proceed successfully. We welcome and appreciate Australia's active participation in efforts to ensure the success of the APEC leaders meeting in Bogor in November.

[Sarsono] Before the dinner began, guests toasted the good health of President Suharto and Queen Elizabeth. [end recording]

Government Favors Free Trade Area With ASEAN

*LD2309082894 Melbourne Radio Australia in English
0700 GMT 23 Sep 94*

[Text] The Australian Government says it was encouraged by the decision of southeast Asian nations to hold talks with Australia on developing closer trade links between Australia and southeast Asia.

Economic ministers from ASEAN, the Association of South East Asian Nations, have agreed to begin talks with Australia on linking the ASEAN Free Trade Area, AFTA, with Australia's Closer Economic Relations agreement with New Zealand, known as CER. The idea was first mooted by Thailand and has been enthusiastically supported by Australia's Prime Minister Paul Keating. Australia's Trade Minister, Bob McMullan, says the ASEAN decision will help strengthen Australia's relations with the region and has potential economic benefits.

[Begin McMullan recording] We are keen to be cooperative. I would emphasize this is not an Australian initiative. Thailand initiated this. Australia responded positively and we are very pleased the other ASEAN countries are showing interest in talking about these issues and will be willing to pursue trade linkages as quickly as ASEAN is prepared to do so. [end recording]

Fiji

Cabinet Approves Plan for Peacekeepers in PNG

BK2309100094 Hong Kong AFP in English 0933 GMT
23 Sep 94

[Text] Suva, Sept 23 (AFP)—Fiji's cabinet on Friday formally approved a plan to send troops to join the South Pacific Peacekeeping Force in Papua New Guinea's [PNG] troubled island province of Bougainville. The approval follows a briefing by Colonel Savenaca Draunidalo, who undertook a reconnaissance mission to the copper-rich island of Bougainville, north east of the PNG mainland. Draunidalo, who will be ground commander of the peacekeeping force, gave cabinet assurances on the safety of Fiji soldiers committed to peace-keeping duties.

He said the question of the soldiers' safety "had been thoroughly discussed and resolved" in talks with the PNG security forces, the Bougainville Revolutionary Army and the self-styled Bougainville Interim Government.

Fiji, South Pacific's most experienced peacekeeper, will provide 232 soldiers to the Bougainville force.

The contingent was to leave for Cairns in north-eastern Australia where the rest of the force will assemble before

going to Bougainville. The Bougainville crisis was triggered by local grievances concerning the Panguna copper mine, owned by Bougainville Copper Ltd of which [word indistinct] miner CRA is the majority stakeholder. The mine was closed in 1989 amid escalating violence and sabotage as rebels of the Bougainville Revolutionary Army fought for independence.

Vanuatu

Plan Approved To Send 50 Troops to Bougainville

BK2309055994 Melbourne Radio Australia in English 0500 GMT 23 Sep 94

[Text] The Vanuatu Government has unanimously approved legislation to let 50 troops join a peacekeeping operation on Papua New Guinea's troubled Bougainville Island. The paramilitary troops will form part of a South Pacific peacekeeping force drawn from Vanuatu, Tonga, and Fiji.

The force is scheduled to take up positions on the copper-rich island for two weeks from 3 October. Australia and New Zealand have agreed to provide financial and logistical support for the force, which will provide security in the town of Arawa, where a Pan-Bougainville peace conference is scheduled to begin on 8 October.

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